Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rl6.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.70	Jordan	Fils500	Sri Lanka	Rs30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.550
Greece	Dr120	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
Iceland	Kr125	Norway	NKr10.00	USA	$1.00
India	Rp15	Philippines	Peso40		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,661 Friday October 7 1988 D 8523 A

MONACO
A whiff of scandal hangs in the air
Page 20

World News

Rockets and landmine kill 32 in Afghanistan

Rebel rocket attacks on two towns and a landmine attack on a bus killed 32 people, according to the Soviet-backed Afghan authorities. Three patients and a nurse at a hospital in Kandahar were among the dead.

Politburo resigns
The entire Communist Party Politburo ruling Yugoslavia's Vojvodina province resigned after 100,000 protesters demanded they quit office. Page 20

Ozal plea to EC
Turkish Prime Minister Turgut Ozal said his country should be allowed to enter the European Community because it was stronger economically than Greece, Spain and Portugal when they joined.

Star Wars estimate
The Pentagon unveiled proposals for a slimmed-down version of the "Star Wars" defence system against nuclear attack which would cost $69bn, a sharp drop from original estimates of $115bn. Page 6

US, Israel accord
US has agreed to give Israeli arms purchasers in the US diplomatic immunity despite controversy over Israeli attempts to buy barred military technology, an Israeli official said.

Campaign censored
A Supreme Court judge overseeing Israel's election campaign censored pictures of army brutality from a televised political broadcast by the Centre Party, ruling no soldiers in uniform may be shown.

Secret ballot delay
Italian Parliament postponed until next Tuesday its final judgment on the Government's attempt to impose strict limits on the use of secret voting. Page 2

Jaguar strike 'over'
A strike staged yesterday by 3,500 workers which halted production of Jaguar luxury cars at its plant in central England, ended last night, the company said.

Swiss scrap N-plan
Switzerland's Parliament has scrapped plans to build a sixth nuclear power station.

Swapo men barred
South African authorities in Namibia have barred three leading nationalists – all senior members of Swapo – from attending a meeting in Lusaka on the territory's future, Swapo said.

UK Labour defeat
Britain's Labour leadership suffered a severe defeat over nuclear disarmament when delegates to the party conference in Blackpool rejected a motion backed by the executive which called for a step-by-step approach to disarmament. Page 7

Stalin on trial
Leading Soviet intellectuals are seeking to organise a public tribunal on the crimes of Josef Stalin.

China gold rush riot
A Klondike-style gold rush in Qinghai Province, north-west China, has triggered miners' riots, gang warfare and near-starvation among peasants driven from their land, a Chinese newspaper reported.

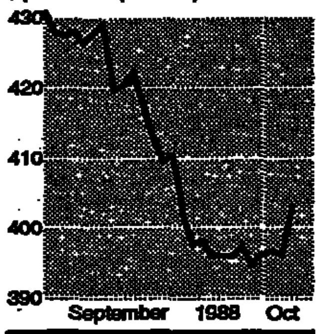
Business Summary

Fiat joins Chrysler to distribute Alfa Romeo

FIAT, Italian car group, signed a letter of intent with Chrysler, big US car manufacturer, to form a 50-50 joint venture company to distribute three models manufactured by Fiat's Alfa Romeo luxury car subsidiary. Page 21

GOLD bullion closed at $408.25 an ounce – the first move above the $400 level for two weeks – as crude oil prices stabilised and some buying interest appeared. Page 42

Gold Price
$ per ounce (London)



BRITISH STEEL, state-owned UK manufacturing company which is to be floated for an expected £2.5bn ($4.2bn) in the second half of next month, has drawn interest from Japanese, US, Canadian and European investors in buying stakes in the privatised company. Page 21

WEST GERMAN economy continues to defy expectations of sluggish growth with some economists now predicting 4 per cent growth in gross national product for the year following an announcement of strong industrial order figures for August. Page 3

SOCIETE GENERALE, large privatised French banking group, reported a 22.6 per cent increase in overall first half net profits to FFr1.64bn ($257m) and a 21 per cent increase in first half net earnings excluding minority interests to FFr1.44bn. Page 22

NESTLE, Swiss foods group, announced plans to buy Cooper Surgical, ophthalmic surgery business of Cooper Companies in Irvine, California for $325m in cash.

MITSUBISHI MOTORS (MMC), Japan's fourth biggest car maker, is to be floated on the Tokyo Stock Exchange by the end of this year, according to market operators. Page 25

NIPPON OIL of Japan has agreed in principle with Texaco of the US to jointly explore for oil in an onshore field on Alaska's North Slope. Page 22

LORENZO NECCI, chairman of Italy's state-owned Enichem chemicals group, unveiled some spectacular profits for the first half of 1988. Page 22

INVESTCORP, Bahrain-based bank, has arranged the sale of Mueller, leading maker of valves, hydrants, pumps and fittings in the US and Canada, to Tyco Laboratories for $365m. Page 22

ASEA Brown Boveri, Swedish-Swiss engineering concern, and Siemens, West German electricals group, agreed to pool activities in advanced nuclear reactor technology. Page 5

PARIBAS, French privatised financial and banking group, described as "complete fiction" a series of rumours suggesting the Pargesa-Bruxelles-Lambert group led by Gerard Eskenazi and Albert Frère had built up a stake of between 17 and 20 per cent. Page 24

HOECHST, West German chemicals and pharmaceuticals group, said it would increase its regular dividend for 1988, but did not specify how much it would pay. Page 24

State of siege declared in Algiers as riots continue

By Francis Ghilès in London

PRESIDENT Chadli Bendjedid of Algeria declared a state of siege in the capital Algiers yesterday as rioting provoked by economic hardships continued for a third day. *The riots were the worst Algiers has seen in* more than two decades.

After an urgent meeting on Wednesday night between senior members of the Government and the leadership of the ruling Front de Libération National party, the President put the military in charge of civil administration and the security services.

For the first time since the riots began the army took up positions in front of the main public buildings.

The military authorities quickly imposed a midnight to 6 am curfew in Algiers and the outlying suburbs of Rouiba and Cheraga, according to APS, the official Algerian newsagency.

Several people were reported injured in clashes yesterday between demonstrators and the security forces, and shooting was reported in the El Biar district on the hills above the city centre. Some witnesses said soldiers were firing into the air to disperse crowds.

There were unconfirmed reports of incidents in the town of Berrouaghia, 100 miles due east of the capital but trouble does not appear to have spread to any other major city.

The riots in Algiers caused extensive damage to shops and cars and the Ministry of Youth and Sport was gutted by fire. Rioters singled out government buildings and offices, venting their anger at recent price increases and the shortages of a number of staple products which have plagued the country during the past year.

The worst drought in 30 years has also deprived many city dwellers of water for weeks on end during the summer adding to the other causes of frustration.

Economic difficulties also provoked the last serious outbreak of rioting in Algeria in the eastern cities of Constantine and Setif two years ago.

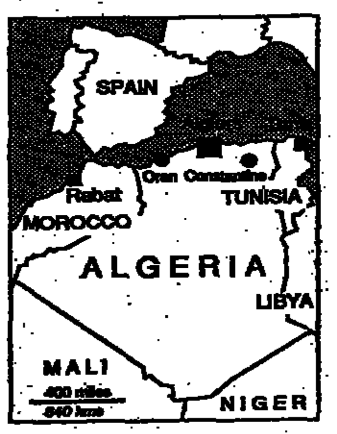
Ironically, the reasons which led to the violence were described in a keynote speech by President Bendjedid Chadli two weeks earlier. "So long as citizens continue to evade their responsibilities, the state cannot be expected to perform miracles," was the blunt warning delivered by the head of state in a hard-hitting speech, relayed in full three times on state television.

The Algerian head of state Continued on Page 20

ECONOMIC PROFILE

- GNP (1984) $49.6bn*
- Annual per capita income (1983) $2,350*
- Currency: Dinar
- Exports: oil, refined products; condensates, gas, making up 97.5 per cent of foreign currency earnings of $12bn (1985). Gas exports 20bn cubic metres to France, Italy, Spain, Belgium. Gas reserves, estimated at 3,700bn cubic metres, are the fourth largest in the world
- Imports: capital goods, food

*Source: World Bank



Chile prepares for return to democracy after Pinochet defeat

By Mary Helen Spooner in Santiago

CHILE yesterday began the long and arduous task of preparing a transition to democracy in the wake of General Augusto Pinochet's defeat in Wednesday's presidential plebiscite.

After admitting defeat early yesterday morning, the regime's first official reaction was the resignation of the entire cabinet. This was preceded by a meeting of the ruling military junta, presided over by Gen Pinochet.

The composition of the new cabinet will be a key indicator as to whether or not the military regime which has ruled Chile since 1973 is willing to meet opposition demands for a rapid return to democracy.

Final returns showed a 54 per cent "No" vote against a new eight-year presidential term for Gen Pinochet, and a 43 per cent vote in favour.

The vote passed off on Wednesday without serious incident and witnessed by an unprecedented number of international observers, including US and European parliamentarians.

Although the 16-party coalition backing a "No" vote repeatedly warned its sympathisers to stay at home after voting, thousands of Chileans went into the streets to celebrate the "No" vote victory.

Riot police used tear gas and water cannon yesterday to break up a crowd of demonstrators who marched on the presidential palace chanting "Pinochet has fallen." Others chanted "To Paraguay, to Paraguay," a reference to the military dictatorship of Gen Alfredo Stroessner, where Gen Pinochet is also believed to have property.

The regime conceded defeat after Gen Pinochet met his cabinet and the commanders of the country's navy, air force and national police in the La Moneda presidential palace. The meeting continued for a time after the three military commanders, who had originally opposed Gen Pinochet's candidacy in the plebiscite, had left the palace.

Mr Sergio Fernandez, Interior Minister, a hard-liner, read a prepared statement in which he said the Government would abide by the results of the plebiscite. The regime would strictly adhere to and "make others abide by" Chile's 1980 constitution.

Under the constitution, Gen Pinochet must call elections for the presidency and a new Parliament to be held in December 1989. He will stay in office until March 1990.

Chilean opposition leaders have indicated a desire for an earlier vote. Mr Ricardo Lagos, president of the Party for Democracy, said he and other opposition leaders had not yet requested a meeting with officials and were waiting for the situation to stabilise.

"The authoritarian government has been defeated. Now begins the hardest task – to rebuild the democratic system," Mr Lagos said.

The eventual composition of the regime's new cabinet will be crucial in setting the tone of any dialogue between Chilean authorities and opposition political groups, as well as determining the Government's direction in the coming months. Against this background, the post of interior minister and cabinet chief takes on considerable importance. Should Mr Sergio Fernandez be confirmed in his post, many political observers predict the regime will continue to adhere to a rigidly right-wing line.

Another key post is that of Mr Hernan Buchi, Finance Minister, who is widely respected among Chile's business and international banking communities. Mr Buchi found himself under considerable pressure during the plebiscite campaign to release more government funds for populist projects. His departure from the Cabinet would imply a sort of official reprisal for Gen Pinochet's defeat in the one-man election.

The black market rate for the peso against the dollar moved up from $298 to $300, on news of the General's defeat. However, the peso rate has held relatively steady and the outcome of the vote had largely been discounted by earlier speculation, and the sheer impact of large numbers of journalists and international observers changing money in a market whose daily turnover is no more than $3m. The stock market was a little more nervous, registering a 14.8 per cent fall in the day's dealings.

Meanwhile, Italy said yesterday it was restoring normal diplomatic relations with Chile

Republicans rally round battered Dan Quayle

By Stewart Fleming in Washington

PRESIDENT Ronald Reagan yesterday led an effort by the Republicans to rally round Senator Dan Quayle, their vice-presidential nominee, after a bruising debate with Senator Lloyd Bentsen, his Democratic opponent.

Mr Reagan accused Mr Bentsen of a "cheap shot" when the Texan remarked in the debate that Mr Quayle had no right to compare himself with John F. Kennedy who, at the age of 43, ran successfully for President in 1960.

The Republican decision to send Mr Reagan in to bat on behalf of Mr Quayle, 41, seemed to be a concession that Mr Bentsen had scored heavily in the vice-presidential debate held in Omaha, Nebraska, on Wednesday night.

However, political experts and newspaper columnists suggested yesterday that it was too soon to judge whether Senator Quayle's stumbling performance would cause long-term damage to the Republican ticket led by Vice-President George Bush.

It may slow the momentum which Mr Bush has been able to build over Governor Michael Dukakis of Massachusetts, his Democratic opponent.

The debate's most electrifying moment came when Mr Quayle, who had been questioned several times by a panel of reporters about his credentials to serve as a potential president, compared himself to the youthful Senator Kennedy.

Mr Bentsen, 67, looked at Mr Quayle and said: "Jack Kennedy was a friend of mine and, Continued on Page 20

Japan presses trade case against EC

By William Dullforce in Geneva

JAPAN SHOWED its determination to pursue its complaint against the European Community's anti-dumping policy yesterday by asking the General Agreement on Tariffs and Trade to adjudicate on the dispute.

It is the first time that Japan has hauled a trading partner before the Gatt and indicates that it is prepared to defend its trade interests more aggressively than in the past.

A senior Japanese official said that in view of European countries' discriminatory behaviour towards Japan, it could be expected to take many other issues to Gatt for adjudication.

Tokyo's move came a day after the European Court of Justice had turned down an appeal by five Japanese electronic typewriter companies against the anti-dumping duties imposed by the EC Commission on products assembled in Europe.

Mr Yoshio Hatano, the ambassador to the world trade organisation, formally asked the Gatt council at its next meeting on October [illegible] to establish a panel to hear Japan's case that the EC anti-dumping levies contravene Gatt rules.

On Monday Japan [illegible] Gatt's anti-dumping committee to try to conciliate between the two sides. This is the first step in a separate, long-winded procedure leading to adjudication of Tokyo's contention that the EC levies offend against Gatt's anti-dumping code.

Mr Hatano said Japan had warned the EC Commission that it would take action on both tracks in Gatt.

At the core of the dispute is Brussels' campaign against so-called "screwdriver" plants. The EC Commission contends that these plants are intended to circumvent the anti-dumping duties which it would be entitled to levy on imports of finished products sold in Europe at prices below those charged by manufacturers on their home market.

Japan claims that the Commission has not properly assessed whether the components are being imported at dumping prices, has failed to substantiate "injury" to European producers and is requiring that too high a percentage of the components be locally manufactured.

EC action has been extended from electronic typewriters and scales to Japanese photocopiers, computer printers and video-cassette recorders assembled in Europe, covering products worth several billions of dollars in annual sales.

[illegible] Japan's request for a Gatt panel was being made after it had failed to obtain a mutually satisfactory settlement in bilateral consultations with the EC Commission. European Commission officials yesterday greeted with equanimity the Japanese two-step [illegible] the controversial EC regulations against dumping of components. "We will not oppose the formation of the panel because we are entirely confident that our rules are in conformity with the Gatt," a spokeswoman said.

Minorco says Gold Fields chief agreed to back merger in 1986

By Clay Harris in London

MINORCO, the South African-controlled investment company, claimed yesterday that Mr Rudolph Agnew, chairman of Consolidated Gold Fields, had agreed to back a merger of the two groups in December 1986, only to be overruled by the Gold Fields board.

In an effort to undercut Mr *Agnew's opposition to the current* £2.9bn ($4.9bn) takeover bid for the UK-based mining and construction materials group, Minorco issued a detailed account of negotiations between the two companies in late 1986.

Its dossier included a draft press announcement – never released – giving details of a recommended offer under which Minorco and Gold Fields were to have been merged into a new holding company based in continental Europe.

Gold Fields said yesterday it had never sought to deny the 1986 discussions, which were not announced at the time.

However, Mr Agnew said last night that Minorco was "either genuinely confused or bending the facts" about the board meeting where the merger plan was proposed by Mr Julian Ogilvie Thompson, Minorco chairman and a Gold Fields director.

"When he finished, the thing was dead and gone forever," Mr Agnew said. Mr Ogilvie Thompson and another Minorco representative withdrew, and the remaining Gold Fields directors unanimously rejected the merger.

The 1986 talks foundered, *Gold Fields* said, on the question of South African control of the combined group: the same issue on which it is basing its current defence.

Minorco, a Luxembourg-based company, is controlled by Anglo American and De Beers, two arms of the South African Oppenheimer family's mining empire.

Mr Roger Phillimore, Minorco commercial director, said Gold Fields' outright rejection of the financial and commercial logic of the latest bid was not compatible with its conduct during the 1986 talks.

The history of those negotiations also made clear, he said, why *Minorco had made its lat*est offer direct to Gold Fields shareholders rather than approach the board again.

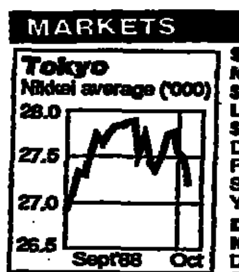
Mr Agnew said Gold Fields had entered into the 1986 talks because "we were under extreme pressure from Minorco either to do something with them or they would sell out to a hostile party."

Minorco, Gold Fields said, had failed to realise its concern about the "irreparable harm" to its business if the company came under S African control."

Lex, Page 20; Minorco statement extracts, Page 31; GFSA results, Page 25.

MARKETS

Tokyo
Nikkei average ('000)



INTEREST RATES
US
Federal Funds $8\frac{1}{4}$% ($7\frac{1}{2}$)
3-mth Treasury Bills: yield: 7.51% (7.43)
Long Bond: $101\frac{9}{32}$ ($102\frac{1}{32}$)
yield: 8.97 (8.92)
London
3-month interbank: close 12% (same)

STERLING
New York close
$1.6928 (1.6945)
London:
$1.6935 (1.6960)
DM3.1550 (3.1600)
FFr10.7525 (10.7600)
SFr2.6800 (2.6850)
Y226.00 (226.25)

DOLLAR
New York close
DM1.8658 (1.8632)
FFr6.3570 (6.3470)
SFr1.5848 (1.5835)
Y133.62 (133.35)
London:
DM1.8635 (1.8625)
FFr6.3600 (6.345)
SFr1.5830 (same)
Y133.45 (same)

GOLD
New York latest
Comex
$408.0 (408.2)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,107.57 (+1.06)
S&P Comp
273.38 (+1.02)
London:
FT-SE 100
1,838.9 (+12.6)
World:
125.86 (Wed)
Tokyo
Nikkei Ave
27,172.34 (-233.15)
Frankfurt
Commerzbank
1,573.4 (+5.6)

OIL
Brent 15-day (Argus)
$11.25 (same) (Oct)
West Tex Crude
$12.865 (+.15) (Nov)

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Lambsdorff sets his sights on regaining old power base

Count Otto Lambsdorff, the former West German economics minister who was forced out of office in 1984, appears to be staging a comeback and seems set to win the chairmanship of the liberal Free Democratic Party.
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Italian MPs in no hurry to decide on secret voting

By John Wyles in Rome

THE ITALIAN Parliament has once again demonstrated its ineptitude in delivering a decision according to any established schedule, by postponing until next Tuesday its final judgment on the Government's attempt to impose strict limits on the use of secret voting.

If members of the lower house do dispose of the issue next Tuesday, they will be about 12 days behind the timetable originally set by the parliament's business managers. The delay partly reflects the seriousness of the issue as it affects backbenchers, partly the Government's need to negotiate with the Christian Democrat component of its own majority, and partly the scope allowed the Communist opposition to hold things up.

The opposition has thus been able to pursue its political objections behind procedural manoeuvring, most of which has been based on the argument that the majority should not be seeking to make a major change in parliamentary procedures without negotiating an agreement with the opposition.

This is a view shared by some Christian Democrats. But Mr Ciriaco De Mita, the Christian Democrat Prime Minister, has ruled out such a negotiation as too late and without hope if the Communists are dug in on their position that the secret vote must only be outlawed on financial and budgetary matters.

Some Communists are prepared to concede much more, such is the party's disarray on the issue – exceeded only by the division and unease among Christian Democrats.

However, the Government appears confident that it will have the necessary absolute majority (by secret vote) for a proposal which retains its use for constitutional and family rights issues as well as for electoral law reform in whichever house of parliament deals with the question first. Thus, if the secret vote is used on voting laws by one house, then the other would be required to vote openly on the same issue.

Bonn to urge EC to act over ozone hole

WEST GERMANY will urge the European Community to adopt measures to reduce drastically the production of chemicals that destroy the earth's protective ozone layer, Environment Minister Klaus Toepfer said yesterday, Reuter reports from Bonn.

Bonn would seek an 80 to 90 per cent cut in output of Chlorofluorocarbons (CFCs) over the next 10 years, he said. CFCs are widely used as aerosol propellants and refrigerants, in foam packaging and insulation, and as solvents in industry.

CFCs break up the ozone layer which shields the earth from harmful ultraviolet rays. Scientists say its destruction could lead to an increase in skin cancer.

In 1987, 24 countries signed a protocol in Montreal committing them to halve CFC consumption by 1999.

"The West German government aims to bring in the measures to reduce CFC production and consumption announced in the Montreal Protocol much faster than scheduled through additional national measures, and to exceed them wherever possible," Mr Toepfer said in a statement.

He said he would press for support at the next meeting of the European Ministers' Council in November.

Ankara court frees Christian evangelists

By Our Foreign Staff

TWO Britons, Mr Jaylan Lidstone, 37, and Mr John Cornelius, 23, were released by a Turkish State Security Court in Ankara last night after being held incommunicado for a week with seven Turks and an American for alleged attempts to spread Christian propaganda.

The court discharged all 10, after mounting international protests including behind the scenes warnings to the Turkish Government that the case could jeopardise both Turkey's application to join the European Community as a full member, and plans to re-activate Turkey's parliamentary links with the Community in November after a gap of eight years.

However Mr Lidstone said last night that the Turks in the group had been ill-treated during their time in custody. The men had been beaten with sticks and punched. He said the group was planning an international protest at their treatment.

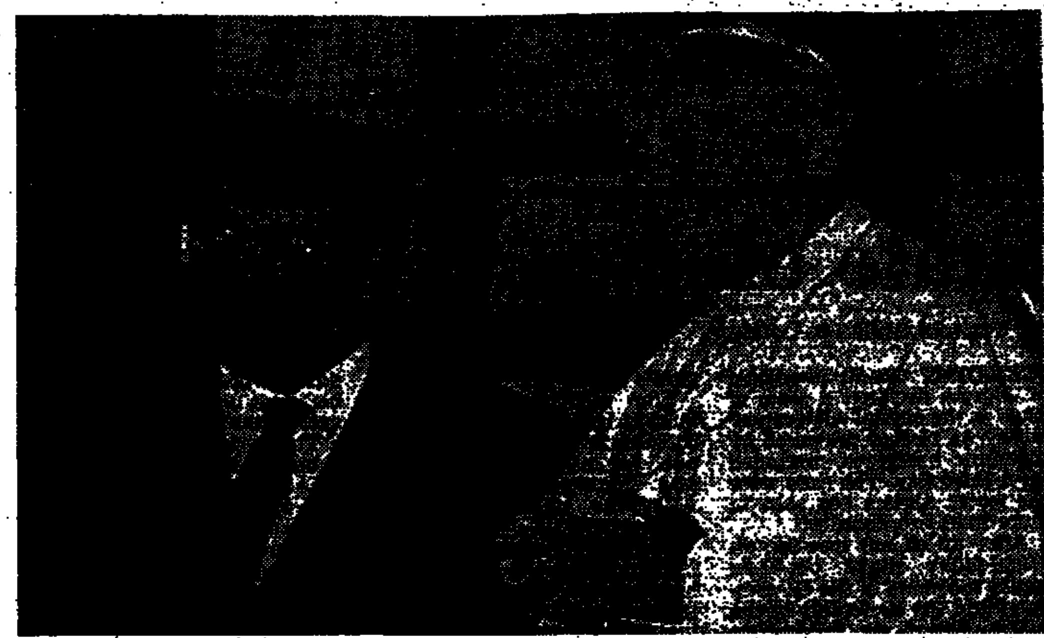
The release marked an abrupt turnaround in the attitude of the Turkish authorities. The two men were paraded before press photographers and TV cameramen on Wednesday night with Bibles as evidence of their guilt.

A single-session acquittal by a Turkish State Security Court is more or less unprecedented, apparently reflecting a response to international pressure over the case.

Though officially a secular state, Turkish officialdom has always viewed Christianity with suspicion and there has been a resurgence in Islamic feeling during the 1980s, with religious education being made compulsory.

The re-arrest last week of the Ankara group was being linked to signs of harassment in other Turkish towns in the last few months. This probably reflects the growing influence of Islamic fundamentalists in the Ministry of the Interior and the police.

This was the second time this year Mr Lidstone and his companions had been detained.



Pope John Paul yesterday met Mr Turgut Ozal, Prime Minister of Turkey, whose country's laws against religious propaganda have come into international focus following the detention of a group of evangelical Christians. Mr Ozal said after talks at the Vatican that he would welcome a second Papal visit to Turkey

Scepticism greets Hungarian move to free private enterprise

By Leslie Colitt in Berlin

A NEW law on private enterprise designed by Hungary's reformist leadership to help liberalise and restructure the inefficient economy is meeting with scepticism as to how effective it will be.

The law, passed this week by the Hungarian parliament, was hailed by Mr Kalman Kulcsar, the Justice Minister, as being "highly significant" for economic, social and legal policy.

It provides for the establishment of joint stock companies, whose shares can be traded by Hungarians, and for them to be on an equal basis with state companies. Foreign ownership of entire Hungarian companies will be permitted for the first time in an East European country.

Firms which have a majority of privately-held shares will be allowed to employ up to 500 people compared with a present limit of 60. The law is to come into effect in January.

Mr Kulcsar said on introducing the draft law that after 40 years of strict regulation it was not surprising that some Hungarians, especially the elderly viewed joint stock companies as "capitalist".

A related law, likely to be passed shortly is to deal with the conditions under which state firms can be transformed into private or partly private companies. The Hungarian leadership, however, has emphasised that a majority of the shares of important companies will remain in state hands.

Ms Georgie Kocsis, a journalist at Hungary's leading economic weekly, Hvg, said yesterday that many Hungarians were sceptical the new law will help transform the economy.

"This system has the ability to change things which are against its own nature," she remarked.

The key issue, Ms Kocsis said, is that of ownership of state companies. If the majority of shares remained in state hands than little economic change could be expected. Political or economic "interference" from above with the new joint stock companies could undermine the new law, she suggested.

Mrs Kocsis noted that the other side of the coin was that few Hungarians could be expected to want to buy shares in loss-making state companies.

A study earlier this year by the Independent Finance Research Company in Budapest concluded that the economy was in such deep crisis that even radical economic liberalisation would only begin to show the desired results in five to eight years. The leadership subsequently indicated it was prepared to take radical steps which would lead to widespread closure of inefficient companies and temporary unemployment of up to 200,000 people.

The Hungarian Finance Minister, Mr Miklos Villanyi, yesterday withdrew a draft law on a new corporate profit tax after MPs said they had not had sufficient time or information to consider it.

The Government had wanted swift passage of the law so that companies could adjust their plans for next year to it. The draft, which is to be revised and resubmitted next month had provided for all companies – state, co-operative and private – to be taxed uniformly at 40 per cent and 50 per cent.

Gorbachev election fails to end debate

By Quentin Peel in Moscow

THE ELECTION of Mr Mikhail Gorbachev, the Soviet leader, as president of the Supreme Soviet – the national parliament – has failed to quell a heated debate on whether Communist Party leaders should be allowed simultaneously to hold both jobs.

Mr Gorbachev himself has strongly backed the idea, as a way of raising the status of the country's elected Soviets, and as a means of subjecting local party leaders to a double election process, within the party, and in the Supreme Soviet.

However critics see it as a way of maintaining the excessive stranglehold of the ruling party on political debate, and as confusing the roles of the party officials with the legislators supposed to be becoming more independent in the reformed Soviet system.

Yesterday the Communist party organisation in the Baltic republic of Latvia – facing a strong grass roots reform movement, the Popular Front – pointedly ignored an opportunity to follow Mr Gorbachev's lead, and appointed separate men to the posts of party leader and president of the Latvian Supreme Soviet.

Mr Jan Vagris, the former president, was elected party leader in place of Mr Boris Pugo, who was promoted in last week's reshuffle.

Yesterday Mr Vagris was replaced as president by 46-year-old Mr Anatoly Gorbunov, regarded as a reformer by Latvian intellectuals, and therefore likely to be welcomed by the Popular Front. The fact that Mr Vagris did not automatically take on the two jobs underlined the uncertainty the proposal has caused at all levels of the ruling party.

A long defence was published last week in Pravda, the Communist party central committee newspaper, by Mr I. Shchvets, who heads a consultative group on organisational party work at the central committee. Admitting that many people were expressing doubts about the reform – quite as much from within the ruling party as from outside it – he argued it would strengthen the role of the Soviets, and equally that of the party.

Much of the opposition suggests a continuing inability of Communist party loyalists to understand Mr Gorbachev's desire to take the party out of executive government but allow it to remain in (and dominate) the elected legislatures.

Professor Konstantin Sheremet, editor of the magazine Soviet State and Law suggested that not all Communist party leaders were capable of the sort of democratic methods of leadership necessary in an elected Soviet.

"How suitable is an authoritarian leader for work in the Soviets, however brilliant?" he asked. The new role for the Soviets, and a new electoral system allowing for far more multiple candidate elections, is currently being drafted. It will include much wider budgetary powers for the elected Soviets – another key element in Mr Gorbachev's plan to give the elected bodies more authority.

Judge fires parting shot at squabbling EC states

By David Buchan in Luxembourg

LORD MacKenzie Stuart yesterday used his farewell address as President of the European Court to take a swipe at EC states for disrupting his court's work by failing to agree on timely appointments to the 13-man bench.

"Only at the eleventh hour," he said, "have the member states managed to perform their simple and unambiguous duties under the treaties" in nominating judges.

The inauguration of five judges yesterday, and the appointment of a new president – Mr Ole Due, 57, of Denmark – was only made possible by settlement last month of a row over the nationality of the court's 13th judge.

Spain eventually won the extra seat, after Italy and the UK agreed to a new EC member preceding them in the rotation of the nomination of the 13th judge among the five larger EC states.

Each of the 12 EC states, regardless of size, nominates one judge, but an odd number of judges is needed to enable majority verdicts.

EUROPEAN NEWS

Strauss's death throws shadow over Airbus talks

By David Marsh in Bonn

THE DEATH this week of Mr Franz Josef Strauss, the Bavarian Prime Minister, has added a further complication to long-running attempts to restructure the West Germany aerospace industry. It also comes as a psychological blow to contested plans to construct a commercial nuclear reprocessing plant at Wackersdorf in Bavaria.

A further round of talks took place yesterday between the Bonn Government and Daimler-Benz, the motor and engineering conglomerate which is seeking to take a 30 per cent stake in Messerschmitt-Boelkow-Blohm (MBB), the country's largest aerospace group.

The aim, energetically supported by Mr Strauss, is to build a company which would group West German expertise in the aerospace and defence technology fields, with responsibility in particular for the country's share in the European Airbus venture.

The talks yesterday were between Mr Gerhard Liener, the Daimler finance director, and Mr Erich Riedl, the state secretary in the Economics Ministry responsible for co-ordinating the aerospace industry. Mr Riedl, a confidant of Mr Strauss, was brought into the ministry on the express behest of the late Bavarian premier. There is now some uncertainty over the degree of political backing for him in Bonn.

Talks between the Government and Daimler have become bogged down in wrangling over the financial and industrial conditions on which the motor group would be prepared to take the MBB stake. Participants in the negotiations have been indicating doubts over the past fortnight on whether agreement can be reached by November, which both the Finance Ministry and Mr Edzard Reuter, the Daimler chairman, have set as an informal deadline.

Separate uncertainty meanwhile has surfaced over the fate of the nuclear reprocessing plant in eastern Bavaria which Strauss as a means of increasing West Germany's atomic energy expertise. In an interview with the magazine Deutschland shortly before his death, Mr Strauss warned that Bavaria could back down from its commitment to Wackersdorf if the Bonn Government showed further hesitation over the general nuclear fuel cycle programme of which Wackersdorf forms a constituent part.

The Soviet Union has shown interest recently in offering West German reprocessing facilities in connection with possible German-Soviet nuclear deals. Although Bonn has not been inclined to take such Moscow offers seriously, the demise of the chief supporter of Wackersdorf could spur renewed examination of foreign possibilities for storing and reprocessing burnt nuclear fuel.

Lambsdorff makes a grab for his old power base

David Marsh reports on this weekend's contest for leadership of the Free Democratic Party

WEST Germany's Lion of Bavaria may be gone – but the Prussian Count appears to be on his way back.

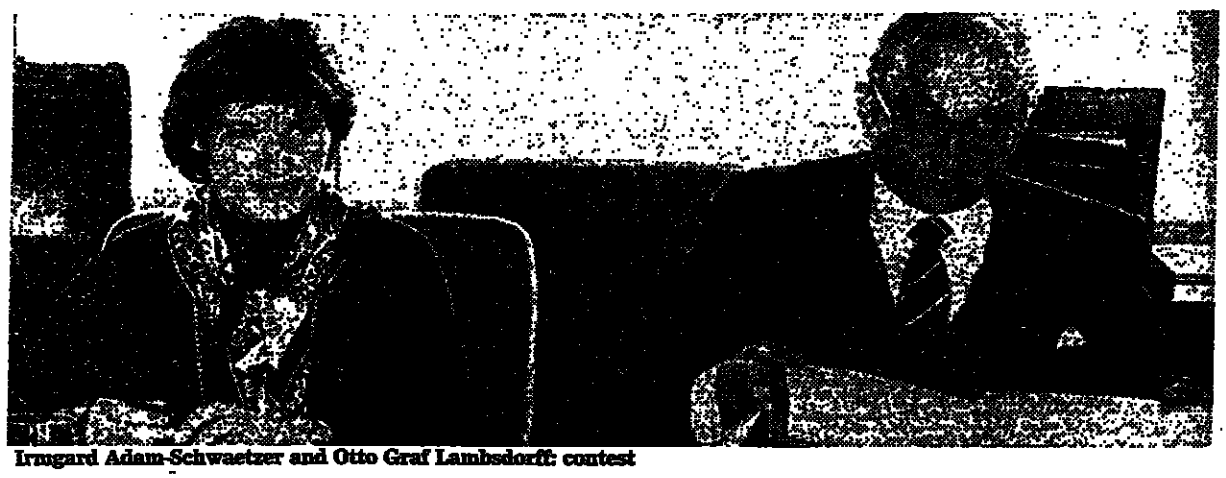
In a week overshadowed by the death of Mr Franz Josef Strauss, Otto Graf Lambsdorff, the former economics minister who was forced out of office in 1984, appears likely tomorrow to clinch the chairmanship of the liberal Free Democratic Party, the junior partner in the Bonn coalition.

Mr Lambsdorff, 61, has been pulling ahead of the other candidate, Ms Irmgard Adam-Schwaetzer, Minister for European Affairs in the Foreign Office.

Support among the 402 FDP delegates who will be voting at their weekend congress in Wiesbaden is finely balanced and a Lambsdorff victory is by no means a foregone conclusion. But assuming "der Graf" (the Count) pulls it off, his political resurrection could make life tougher for Mr Helmut Kohl, the Chancellor.

In an interview in his new Bundestag office, Mr Lambsdorff, scowling behind thick glasses in front of a large portrait of Bismarck, said he was "quite confident" of winning on the grounds of "competence" to carry through FDP policies both within and outside the Government in coming years.

The election is an innovation in West German politics, where such succession questions are normally decided in conclaves rather than by outright vote. A replacement has to be found for Mr Martin Bangemann, the present FDP chairman and Economics Minister. Disenchanted with life in Bonn, and losing his touch with the party faithful, Mr Bangemann will become an EC Commissioner next year.



Irmgard Adam-Schwaetzer and Otto Graf Lambsdorff: contest

Mr Lambsdorff resigned as economics minister four years ago over the celebrated scandal centering on illegal political payments by the Flick industrial group. In February last year, after an 18-month trial, he was convicted of tax evasion, but cleared of the more serious charge of corruption.

He has always maintained that the high-profile trial was partly motivated by Social Democratic efforts to settle scores after he steered the FDP in 1982 out of its 13-year coalition with the SPD.

"There were a lot of people then who were joyfully – and with great certainty – expecting me to sink without trace. I saw no reason to do them a favour," he says. "They are now drying their tears."

Mr Lambsdorff, supported by a solid phalanx of FDP members from his home state of North-Rhine Westphalia, which makes up a quarter of delegates at the congress, brushes aside signs of greater support among the general public for Ms Adam-Schwaetzer as irrelevant.

The 46-year-old junior minister, who was the party's general secretary between 1982 and 1984, is a protegée of Mr Hans-Dietrich Genscher, the Foreign Minister, and promises to boost the Free Democrats' appeal to younger voters. She has promised to strengthen the party's voice in environmental and social issues and – somewhat vaguely – favours a move away from nuclear energy.

Ms Adam-Schwaetzer contrasts her softer style with the more brusque approach of the Count. She has accused her opponent of behaving "like a land-owner" in deciding over the heads of the party who will replace Mr Bangemann as Economics Minister. If he wins, Mr Lambsdorff has put forward for the post Mr Helmut Haussmann, the 45-year-old FDP general secretary, who pledges a new liberal approach in the ministry.

Though relative youth and freedom from courtroom stigma are on Ms Adam-Schwaetzer's side, Mr Lambsdorff's trump cards are his toughness and reputation for free market economics. In the aftermath of the Flick affair, he has been given a rather easy ride by the West German media – with the principal exception of the news magazine Der Spiegel.

Reflecting the country's proportional voting system and the lack of clear-cut majorities, the small FDP has been present in coalitions in all but seven years since the Federal Republic was founded in 1949. If he wins tomorrow, Mr Lambsdorff says he will not seek a place in the cabinet – a decision perhaps partly motivated by the continuing opprobium of the Flick affair, but also founded on the Count's view that he will be more powerful outside.

The death of Mr Strauss, the leader of the Bavarian Christian Social Union, which is the conservative partner of Mr Kohl's Christian Democrats in the three-party coalition in Bonn, leaves a vacuum in the coalition which Mr Lambsdorff will certainly try to exploit. "The FDP possess the competence in Germany in matters of the market economy," he insists. "This competence must not be lost."

Despite periodic unrest in the coalition, Mr Lambsdorff says the FDP will probably renew its partnership with the Christian Democrats after the next general elections in 1990.

But he makes clear that Mr Kohl can expect to walk a tightrope over the question of basic FDP loyalty. Because of the Social Democrats' disarray over economic policies, Mr Lambsdorff says no one in the FDP at present seriously argues in favour of switching back to the SPD. But he adds: "The FDP has to make clear that we are not born to be a eternal partner of any other party."

Strong orders boost W German growth hopes

By David Goodhart in Bonn

THE West Germany economy continues to defy expectations of sluggish growth with some economists now predicting 4 per cent growth in gross national product for the year following yesterday's announcement of strong industrial order figures for August.

The Bonn Government began the year with a growth forecast, then regarded as over-optimistic, of 1.5 to 2 per cent which it recently revised up to 3 per cent.

The latest order figures, which follow good industrial production and retail figures for August, show a volume increase of 5.2 per cent on July.

The more significant July/August order comparison with last year shows a 6.4 per cent volume increase and a huge 8.9 per cent jump in value.

Mr Giles Keating of Credit Suisse First Boston in London said that "something approaching 4 per cent growth is now possible," a view echoed by several West German economists. Forecasts for 1989, currently clustered around 2 per cent, are also likely to be raised to at least 2.5 per cent.

However, the weight of the export contribution to these figures will restrain celebration in Bonn and underlines just how slow the progress in reducing Germany's current account surplus is likely to be.

The July/August comparison with last year shows a 4.9 per cent rise in the volume of domestic orders and a 9.3 per cent rise in foreign orders, or an increase of 7.2 per cent and 12.2 per cent by value.

Investment goods – which increased 8 per cent by volume and 8.9 per cent by value comparing the two month period with last year – have led the order boom, thanks to heavy investment spending.

Denmark's coalition survives health row

By Hilary Barnes in Copenhagen

AMBITIOUS plans to roll back Denmark's welfare state, unveiled by Mr Poul Schlüter, the Prime Minister, in his opening address to the Folketing (parliament) on Tuesday, received a cold shoulder from the legislature yesterday.

Only a threat of immediate resignation by the three-party minority coalition, which took office in June, prevented the five other parties from passing a resolution forbidding the government even to consider increasing charges for prescription medicine, or introducing other user charges in the health sector. Both feature in the Government's plans to keep budget spending under control next year. It is now clear that Mr Schlüter will have to run the parliamentary gauntlet with his proposals between now and the end of 1988.

The evident parliamentary problems facing Mr Schlüter's coalition, which consists of Conservatives, the Liberal Party and the Radical Party, caused bond and share prices to fall yesterday.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK

Independents decline to join Polish Government

By Christopher Bobinski in Warsaw

MR Mieczyslaw Rakowski, Poland's new Prime Minister, is finding it difficult to persuade independent politicians to join his cabinet, due to be announced next week.

When appointed, Mr Rakowski said he wanted to form a coalition government by also going outside the established parties. Yesterday he told the Polish press agency: "I am still hopeful this will be possible."

He added: "If the attempt fails then we would have to limit ourselves to traditional forces. I will have to tell Parliament that those I offered a place to in the Government refused to take up the responsibility."

It seems that attempts to find Solidarity supporters to join the Government are faltering while supporters of the banned union await talks due to start on October 17 between Solidarity and the Polish authorities.

Mr Lech Walesa, the Solidarity leader, hopes these will lead to official recognition of his union while the authorities are hoping to persuade the opposition to pledge support for and enter official bodies such as parliament.

On Tuesday Mr Rakowski met Cardinal Josef Glemp, the Polish church leader, to explain his policies, seek support for his attempts to form a government and, most important, try to dispel the bishop's deep mistrust of his intentions towards the church.

The opposition is resisting participation in the Government before receiving guarantees that Solidarity will be legalised or the political system changed.

Yesterday Mr Janusz Zablocki, a former Catholic deputy, announced the formation of a Christian Democratic political club. He also opposes joining the Government at this point.

هكذا من الأصل

Taiwan tries to prop up ailing stock market

By Our Foreign Staff

THE Taiwan Finance Ministry yesterday ordered 11 state-owned banks to extend one-year low-interest loans to investors in an attempt to prop up the flagging stock market. The 11 banks include Bank of Taiwan, First Commercial Bank, Hua Nan Commercial Bank, Chang Hwa Commercial Bank and Co-operative Bank of Taiwan.

Mr Chen Shih-ming, director of the ministry's monetary department, announced investors could use stock as collateral to borrow up to 60 per cent of the average market price of their shares counted over the previous three days. He said loans to investors would carry an interest rate of 0.25 to 0.5 percentage point less than commercial loans.

The ministry gave similar instructions to state-run banks last October when the stock market crashed. But market analysts said the move would have little impact because many investors had now lost confidence in the market. The index has lost 1,400 points in the past week and turnover withered yesterday as investors stopped buying.

"The new measure will not work," said Mr Dickson Ho, manager of W.I. Carr (Taiwan), summing up the mood of the market. The weighted index shed 135.37 points to reach 7,445.97. Brokers said small investors remained nervous as a new capital gains tax due to go into effect next year continued to drive larger players out of the market. They predicted that if the market does not begin to rebound after hitting the 7,000-point level, more heavy losses could be expected next week.

The tax measure, announced on September 24 after the market closed for a four-day holiday, triggered the equity market plunge. On Monday Ms Shirley Kuo, the Finance Minister, amended the tax by lifting the annual ceiling on tax-free profits from sales of shares from NT$3m to NT$10m (£61,000 to £204,000). She also agreed to cut a share transaction tax to 0.15 per cent from 0.3 per cent.

Taiwan's economists have for several years prided themselves on a relatively-narrow gap of three- or four-to-one between the top wage earners and the lowest: Ms Kuo apparently fears this gap would widen significantly should massive earnings by the island's punters continue unchecked and that is why she decided to re-introduce the tax.

But the ministry, despite claims to the contrary, was clearly intervening to cool off an extremely-overheated market in which price-earnings rations for some companies reached 200-to-1. Ms Kuo may have also had as a target the operations of illegal margin lenders and unlicensed traders, many of whom funnel trades through accounts of individuals who are paid to lend their names to the traders to disguise their dealings.

If the ministry sought a cooling-down of the market, though, it is likely that it has got more than it bargained for. In the seven trading days since the ministry announced the capital-gains tax, the index has fallen by 15.5 per cent to 7,423.68 from a high of 8,789.78 on September 24. That works out to better than a 2 per cent decline daily since the announcement.

"The panic is still very serious, and I think the market is still declining – or collapsing," said an exchange official. "The panic is more serious than it was last year – this time it's like an atomic bomb hit, and it has been very difficult to recover."

The extreme lack of sophistication of Taiwan's small investors, who account for an estimated 85 per cent of trades, helps explain the panic. Often buying and selling on sheer rumour and impulse, with little idea of a given company's financial and business performance, many of these investors interpret a minor piece of intervention such as the gains tax represents as a sign that the sky is falling.

On Thursday last week, for instance, crowds of investors demonstrated in front of government buildings, and the Chinese-language United Evening News reported that as many as 15,000 people plan to come to Taipei from the southern city of Kaohsiung to protest against the tax – which Ms Kuo in any event has insisted will remain in place.

Iran's leaders fail to find a third way

Scheherazade Daneshkhu on the ideological debate governing relations with the West

THE decision by Britain and Iran to resume full diplomatic relations represents another step forward for those in the Iranian leadership who support increased links with the West, particularly during this period of post-war reconstruction. But sharp divisions persist in Tehran over the direction of foreign policy and the economy.

Such differences, long a source of acrimonious debate in the Islamic Republic, were pointedly underlined last month when Mr Mir-Hussein Mousavi, the Prime Minister and a prominent radical, made a vain attempt to resign in a letter to President Khamenei.

Mr Mousavi apparently complained that he and his Government had been marginalised in the conduct of regional foreign policy and in decisions concerning relations with the US. President Khamenei rejected Mr Mousavi's resignation and in turn accused him of failing to embrace wholeheartedly a recent appeal for a degree of economic liberalism made by Ayatollah Khomeini.

At one level the arguments focus on how the Koran should be interpreted. The problem is particularly intractable because of the perceived need to develop a unified policy that can be established as Iran's answer to both East and West. The Iranian Government is still keenly aware of its self-imposed duty to "break the mould" of a bi-polar world and establish itself as a third force in international politics.

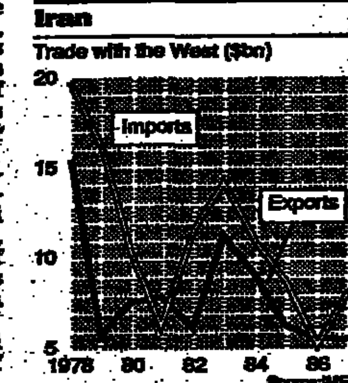
This is especially important as far as the "export of the revolution" goes. This concept, which once sent shudders down the spine of Arab leaders in the Gulf, to say nothing of American policy-makers, has now been drastically diluted by the Iranian leadership.

The acting commander-in-chief and Speaker of the Iranian Majlis, Hojatoleslam Ali Akbar Hashemi Rafsanjani, has now become the voice of pragmatism in Iran. He has advocated participation in every international arena – including the Olympics – and said recently that instead of being portrayed as "ignorant, adventurist terrorists" Iranians should export revolution by presenting to the world the ideas of the Koran.

Mr Rafsanjani's emphasis on developing good relations with former enemies, and his implied acceptance of the present international system, have been strongly opposed by radical members of the Government.

Indeed there is some alarm at the pace with which Mr Rafsanjani, in a manner reminiscent of the Soviet leader, Mr Mikhail Gorbachev, has managed to push through his policies. Not only have full relations been resumed or mooted with Britain, France, Canada and Kuwait in recent weeks, but rumours persist regarding the possibility of eventual ties with the US – the Great Satan itself.

While Mr Rafsanjani has been happy to stick out his neck on foreign affairs, he has been less forthcoming in the debate on the economy. Iran's religious leaders came to power rejecting both Western capitalism and the state capitalism of socialist economies. However, a third way has not been found.



Draft legislation on distribution, labour and the nationalisation of foreign trade have been rejected by the Council of Guardians, the 12-man theological body set up to vet legislation to see that it accords with Islamic law. The result has been economic paralysis. The crisis has been exacerbated by the war with Iraq, low oil prices and financial mismanagement. "We have huge problems," admitted Mr Mousavi in May.

In an attempt to break the legislative deadlock earlier this year, Ayatollah Khomeini set up a 13-man body called the Council for Maintaining the Interests of the System. This too has failed to provide a solution, and last month the establishment of yet another assembly was decreed specifically to decide on economic priorities now that the reconstruction period has begun. Entitled the Council for Discerning What is Best, it comprises the heads of the three branches of government as well as the Prime Minister.

The new council has so far been entrusted with overseeing the transfer of state punishments for profiteers and hoarders back to the judiciary. The move, decreed by Ayatollah Khomeini last month, has brought a sigh of relief from the business community, which feels it has had to take all the blame for the economic squeeze.

In the meantime the private sector has been pressing for an increased role in the economy. Even Ayatollah Khomeini relented somewhat last month when he declared that "the Government should allow people to import from abroad and engage in trade".

Although Ayatollah Khomeini's rulings are not usually open to interpretation, the hardline Mr Mousavi sparred in public over the significance of the Imam's words with President Khamenei, who has long been regarded as a proponent of a stronger private sector.

"During the meeting which the Imam held with the cabinet," said the President, "he explicitly said that the people must be able to engage in imports. Some people are opposed to these things, not because of their Islamic views but rather on account of imaginary and wrong viewpoints."

The ideological debate has been, by most standards, a public one in Iran in recent months. Nowhere was this more evident than in the extraordinary speech that Mr Rafsanjani made in September in Qom to the famous Fayzyeh seminary, a centre of radical Islamic thought which numbers Ayatollah Khomeini and Ayatollah Montazeri, the heir designate, among its former pupils.

In his speech Mr Rafsanjani, apparently feeling secure enough to raise unwelcome subjects with his audience, urged a perestroika-like rethinking of basic issues to address the country's outstanding problems. He even touched on the fundamental tenet of the Islamic Republic, the *velayat-e faqih*, or rule of the jurisconsult, which enables Ayatollah Khomeini to issue guidelines in the absence of the last Shiite Imam.

"We still have a lot of unanswered questions with regard to society," said Mr Rafsanjani. "We still have not been able to clarify for people economic benefits as befits Islam – we have differences of opinion among ourselves over these issues. We have not come forward with clear principles in foreign policy. ... We have to ascertain the sovereign right of the people, *velayat-e faqih*, the sovereign right of others, the people's right to participate. We have not yet tackled the day-to-day aspects of Islamic rule."

Executions suggest tough Saudi policy towards Iran

By Finn Barre in Riyadh

THE EXECUTION last Friday of four Saudi Shia Moslems condemned for sabotaging a petrochemical plant underscores the tough Saudi attitude towards Iran following Iranian riots in Mecca last year.

Announcing the executions this week the Saudi Ministry of Interior said the four "traitors" were executed because they had carried out acts of sabotage for Iran.

The four were convicted of using smuggled explosives to blow up ethylene storage tanks at the Saudi Petrochemical Company (Sadaf) in Jubail in the country's Eastern province. The explosion occurred before this year's Hajj.

The Saudis had previously avoided mentioning Iran by name when dealing with bilateral problems, but diplomats say the Saudis have adopted a tougher approach since the Mecca riots, after which propaganda against the Islamic Republic became more strident. They say the message is that a workable relationship with Iran can only proceed with the strict observance of non-interference in Saudi internal affairs.

The Saudis are particularly sensitive to any Iranian attempts to influence the kingdom's 250,000-strong Shia minority in the oil rich eastern province.

Meanwhile, the Saudis are facing another problem on the border with South Yemen. There have been at least two armed clashes between border troops recently, the second of which happened last month.

The Saudis and Yemenis are trying to downplay the incident, which is believed to have occurred after the Saudis moved a Yemeni border marker. The borders between the two states are still not defined by treaty. Nor are the borders between the kingdom and North Yemen.

Diplomats have speculated that Saudi Arabia may be trying to throw a spanner in the works of rapprochement efforts between the two states.

The Saudis' concern about the two Yemens stems from the fact that they have a combined population of between 11m and 14m, compared with Saudi Arabia's population of slightly more than 6m.

Additional irritants are that South Yemen is a Marxist state – anathema to the highly religious Saudis – and the fact that Saudi Arabia wrested the Asir region from Yemen in the 1930s. Yemenis have still not reconciled themselves to the loss.

Botha may press banks to restart loans to SA

By Anthony Robinson in Johannesburg

PRESIDENT P. W. Botha is expected to argue the political case for resuming loans to South Africa when he meets Swiss and other European bankers and businessmen in Zurich next week after attending the funeral today of Mr Franz Josef Strauss, the Bavarian leader.

Mr Botha – whose failure to announce expected apartheid reforms in a major speech in Durban in August 1985 was followed by a cut-off in foreign loans and imposition of a partial debt moratorium on the country's $24bn external debt in September 1985 – is not expected to conduct detailed debt talks.

But Mr Barend du Plessis, the Finance Minister, and Mr Chris Stals, director-general of the Treasury, who is South Africa's main debt negotiator, have both remained in Europe to continue contacts with foreign bankers following the recent meeting in Berlin of the International Monetary Fund. The two men are still in Europe having met bankers in London, Paris and Zurich. It was unclear last night whether they would also take part in the talks.

In August, Pretoria introduced a restrictive package of higher interest rates and hire purchase restrictions aimed at curbing an import surge which threatened the country's ability to honour its foreign debt repayment schedule.

European, especially Swiss bankers with whom South Africa conducts the bulk of its gold-related business, have proved more understanding of South Africa's predicament than US banks which remain under strong pressure to cut off all links with South Africa.

India angry over border 'incursion'

By K.K Sharma in New Delhi

CROSS-BORDER tension increased yesterday after India accused Pakistan of sending armed infiltrators into the disputed state of Kashmir and an official spokesman of India's Ministry of External Affairs said the government had conveyed its "concern and indignation" at the highest level.

Claiming that 100 fully-trained and armed men had crossed the border into Kashmir in the last few days, the spokesman said: "This appears to be part of an overall plan to destabilise this country."

The alleged infiltration into Kashmir was in addition to repeated Indian accusations that armed men had been entering the troubled state of Punjab over the last two years.

Dr Farooq Abdullah, chief minister of Kashmir, yesterday flew to New Delhi for talks with mr Rajiv Gandhi, India's Prime Minister, on the situation in the state.

Mr Gandhi is reported to have told Dr Abdullah to take "firm steps" to deal with the situation but there was no clarification on what this might mean. Several Indian army divisions are permanently stationed in Kashmir.

Since their independence in 1947, the two countries have gone to war three times over Kashmir. There were no indications that the Indian army has been put on alert.

The External Affairs Ministry spokesman said yesterday that the Pakistani infiltrators, some of whom had been apprehended and questioned, were "armed, supported and trained by Pakistani agencies."

India, he said, had taken up the question of infiltration across the border on several occasions and this time the Government's concern had been conveyed "at the highest level."

Malaysian Government fires top judges

By Wong Sulong in Kuala Lumpur

THE Malaysian Government yesterday announced that two of the five Supreme Court judges, suspended since last July on charges of misconduct, have been dismissed. The other three were found not guilty, and are to be reinstated immediately.

Many Malaysian groups, including the Bar Council, linked the action against the judges to the bitter power struggle within the United Malays National Organisation. Umno, the ruling party until it was declared unlawful by courts last February because of illegal branches.

Tan Sri Abu Talib, the Attorney General, said the dismissals were ordered by Sultan Mahmood Iskandar, the King, on the recommendation of a tribunal which investigated charges of misconduct against the judges.

The tribunal in its report made public yesterday found Tan Sri Wan Suleiman and Datuk George Seah guilty of misbehaviour in staying away from a scheduled supreme court sitting in Kota Baru. Wan Suleiman was also found guilty of convening an emergency sitting of the court in Kuala Lumpur on July 2.

At that time, Tun Salleh Abas, the Lord President and the country's top judge, was being investigated on charges of misconduct by another tribunal. Tun Salleh boycotted its proceedings and challenged its legality. Fear that the Tun Salleh tribunal might submit its report to the King before the court had ruled on its legality prompted Wan Suleiman to convene the Supreme Court which issued an interim injunction against the tribunal.

The report on Tun Salleh was eventually presented to the King, who dismissed Tun Salleh in August.

The second tribunal found that the emergency Supreme Court sitting, convened without the permission of Tan Sri Hamid Omar, the acting Lord President, was "illegal and without jurisdiction". Nevertheless it said while the three other judges – Azmi Kamaruddin, Eusoffee Abdoolcader and Wan Hamzah Mohamed – had participated in the sitting, it was not established beyond all reasonable doubt that their action constituted misbehaviour.

Dr Mahathir Mohamad, the Prime Minister, believes that some judges are anti-government.

● The Kuala Lumpur High Court yesterday granted bail to a Christian Malay preacher from detention under the Internal Security Act. Jamaluddin Othman, who was accused of creating racial tension by preaching Christianity to the Malays, was among 120 people arrested under the act last October. About 80 are still being held.

Philippines, US 'near agreement on bases'

PHILIPPINE and US officials said yesterday that the two countries had narrowed differences over US military bases here and are nearing agreement on their status through 1991, AP reports from Manila.

Mrs Corazon Aquino, the Philippines President, and Mr Michael Armacost, the US Undersecretary of State, gave the assessment following a 45-minute meeting.

Filipino and American panels began talks last April on the status of Clark Air Base, Subic Bay naval base and four smaller installations. But the talks have stalled over compensation and other issues.

Mr Raul Manglapus, the Philippine Foreign Secretary, and Mr Gaston Sigur, the Assistant Secretary of State, met on Wednesday in New York to discuss the issue.

"I guess they seem to feel that differences are narrowing," Mr Armacost said. "Progress is being made, and the hope was there for an early agreement."

In a statement, Mrs Aquino said she received a call from Mr Manglapus early yesterday and said "he sounded very optimistic and confident. Things point to a very successful conclusion, according to Secretary Manglapus."

The US maintains the bases under a 1947 agreement that expires in 1991. The talks are to determine compensation and other issues through the final two years.

After that, any extension must be approved by two-thirds of the 23-member Philippines Senate, where opposition to the bases is strong.

The US gives the Philippines about $180m in aid annually for use of the bases. Filipino negotiators rejected a US offer, which sources said included $550m a year in economic and military aid and debt swapping.

Mr Armacost and Mrs Aquino also said they discussed briefly last month's offer by Mr Mikhail Gorbachev, the Soviet leader, to close a Kremlin naval base in Vietnam if the US withdrew its 40,000 troops, Defence Department civilians and dependents from the Philippines.

Mrs Aquino backtracked from her earlier statement in which she said the proposal should be discussed by the US and the Soviet Union alone.

"For my part, I said that on the matter of the US bases, that is for the Philippines and the US to talk about. This is in fact what the review talks are for," she said.

Japan plans policy role in countries it gives aid to

By Ian Rodger in Tokyo

THE Japanese Government should play a more positive role in the formulation of economic policies in the countries to which it gives significant aid, according to the Ministry of Foreign Affairs' annual report.

The report noted that Japan has become the world's second-largest supplier of total aid and is the largest supplier to some 25 countries, mainly in the Asian region. In Burma, the Philippines and Nepal, Japanese official development assistance accounts for between 10 and 20 per cent of government budgets.

"Japan should provide policy advice on ways to promote development and macro-economic policies in developing countries and guide them in such a way that development projects are carried out smoothly," the report says.

"The attitude of giving aid money only and keeping hands off economic policy management may be taken as an evasion of responsibility," it adds.

In the fiscal year to March 31 1988, Japan provided $7.45bn in official aid, up 18.1 per cent from the previous year and representing 0.31 per cent of GNP. The country is set to surpass the US as a contributor of aid within the next two years. Last June, the Government announced a new growth target for its aid spending, aiming at $50bn in the five-year period starting this year.

Other industrialised countries, especially the US, have been putting pressure on Japan – the world's second largest economy – for some time to increase its foreign aid. Also, as Japan is reluctant to increase its military spending, the US tends to view the country's aid spending as part of its contribution to Western security.

The total flow of funds from Japan to developing countries last year – including all public and private sector flows – was $20.46bn, 24 per cent of the world total and the largest from any one country.

Australia's Labor Party faces fresh poll test

By Chris Sherwell in Sydney

AUSTRALIA'S Labor Party faces a fresh electoral test tomorrow, having had confirmation yesterday that it won a historic third term in the cliffhanger state election in Victoria last Saturday.

The new battle is in Oxley, the federal seat near Brisbane held for 27 years by Mr Bill Hayden. Mr Hayden's appointment as Australia's next Governor-General, announced in August, led to his resignation from the seat, the party and the cabinet, where he was Foreign Minister.

In the 1987 general election Mr Hayden won almost 65 per cent of the vote after preferences were taken into account, and close to 60 per cent of the primary vote. The majority reflected his personal popularity and the deep split between the Liberal and National parties in Queensland.

But it is widely assumed that this margin will be narrowed, partly because Labor has squabbled publicly over its candidate but also because the opposition is no longer suffering the divisive influence of Sir Joh Bjelke-Petersen, the former Queensland premier.

Mr Bob Hawke, the Prime Minister, who has visited the constituency twice in less than a fortnight, has acknowledged the likelihood of a swing against the Government party, and inevitably most attention will focus on its size. But the result would be nothing short of a sensation if Labor were to lose.

The outcome in Victoria was finally decided yesterday, five days after vote-counting began, when Mr Jeff Kennett, the Liberal leader in the state, said he was "convinced in my own heart of hearts" that his rival, Labor leader Mr John Cain, had won.

The precise margin of Labor's victory in the state remains unclear, but Mr Cain said he thought it would be four seats, down from six in the 88-seat lower house, and cut to three with the appointment of a Speaker.

Geagea calls for UN role in poll

MR Samir Geagea, Lebanon's Christian militia commander, yesterday called for UN peacekeepers to be sent to Beirut's Christian and Moslem sectors to oversee presidential elections, AP reports from Beirut.

Mr Geagea said that he was prepared to withdraw his Lebanese Forces militia from Christian east Beirut to help the peacekeepers deployment.

Mr Geagea said that the withdrawal of his militia from east Beirut should be part of a comprehensive plan that would include the withdrawal of Syrian troops and allied leftist and Moslem militiamen from the city's western sector.

Asked whether the proposed UN force should remain in Beirut after Parliament elects a new president, Mr Geagea said: "It is for the new president and the new Cabinet he forms to decide that."

Sri Lankan opposition party would expel Indian army

By Robin Pauley, Asia Editor

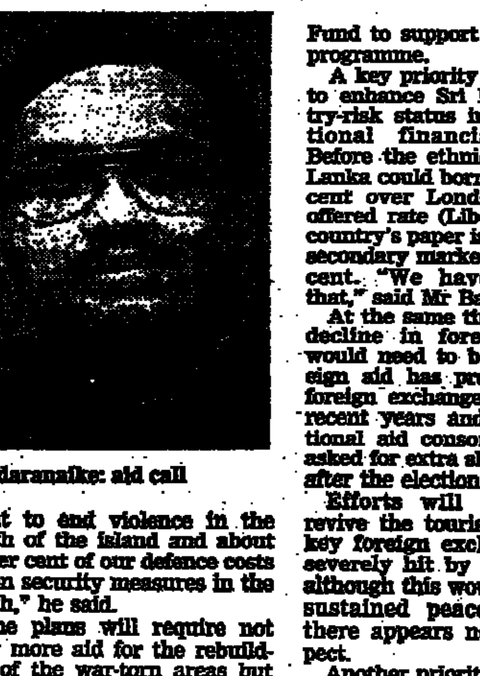
SRI LANKA'S peace accord with India aimed at trying to settle the island's long-running ethnic conflict would be annulled and the 65,000 Indian peace-keeping troops required to leave immediately if the opposition won presidential elections in December, according to Mr Anura Bandaranaike, leader of the Sri Lankan Freedom Party, the main opposition party.

It would also call an emergency meeting of the country's aid donors to ask for an infusion of help to prevent the crippled economy from collapsing, would slash the defence budget, cut personal and corporate taxation and further liberate foreign investment and foreign exchange controls.

Mr Bandaranaike, who is in London this week, is the son of Mrs Sirimavo Bandaranaike, who was Prime Minister from 1960 to 1965 and from 1970-77. Mrs Bandaranaike is standing as the opposition candidate in the presidential election and if she wins is expected to choose between her son and Mr Ronnie de Mel, the former Finance Minister, for the post of Foreign Minister. She is also expected to change the constitution to switch Sri Lanka from a presidential system to a parliamentary system led by a Prime Minister.

Mr Bandaranaike is at pains to try to convince the international community that the economic policies which produced economic stagnation under his mother's last government would not be brought back. That government restricted private enterprise, nationalised large sectors of the economy and presided over a dramatic rise in bureaucracy and corruption. Throughout the period gross domestic product growth averaged only 2.9 per cent a year.

"We will most certainly keep and expand the open economy. There will be no restrictions on imports, we will not touch the free-trade zone and we will cut taxes. There will be a budget soon after the election in which defence costs will be cut severely. We will be able to do this because we are confident we can reach a peaceful agreement to end violence in the south of the island and about 60 per cent of our defence costs go on security measures in the south," he said.



Bandaranaike: aid call

The plans will require not only more aid for the rebuilding of the war-torn areas but also a stand-by facility from the International Monetary Fund to support the economic programme.

A key priority will be to try to enhance Sri Lanka's country-risk status in the international financial markets. Before the ethnic troubles Sri Lanka could borrow at 0.25 per cent over London interbank offered rate (Libor); today the country's paper is traded in the secondary market at 4 or 5 per cent. "We have to correct that," said Mr Bandaranaike.

At the same time the steady decline in foreign reserves would need to be halted. Foreign aid has prevented acute foreign exchange shortages in recent years and the international aid consortium will be asked for extra short-term help after the election.

Efforts will be made to revive the tourist industry, a key foreign exchange earner severely hit by the violence, although this would depend on sustained peace for which there appears no early prospect.

Another priority would be to try to reduce the black economy by using tax incentives to encourage enterprises to return to legitimate operations. The precious and semi-precious stone industries, the third-largest source of foreign exchange, are particularly liable to operate in the black economy and will be a prime target.

Sri Lanka's economy has been increasingly badly hit by the years of ethnic violence between the minority Tamils in the north and east and the majority Sinhalese population. President Junius Jayawardene and Mr Rajiv Gandhi, Prime Minister of India, signed a peace accord last year and as part of that deal the eastern and northern provinces have been merged into one region with a majority Tamil population. But the Tamil Tigers, fighting for an autonomous state, have battled on, unsubdued by 65,000 Indian soldiers trying to bring them to heel.

"The Tigers are fighting the fourth-largest army in the world and they are doing well. Attempts to bring them within the political process have failed. I do not think India wants the problem settled. I think they are dragging their feet a great deal," he said.

His solution is to expel the Indian Army and bring the Tigers into the mainstream by responding to their grievances. "We have to give them a lot more devolution," he says but does not spell out what this would mean in practice.

He has been involved in negotiations with the Sinhala terrorists of the Marxist People's Liberation Party (JVP) in the south and claims to have brought them into the democratic opposition for electoral purposes. However the violence in the south has not stopped and some extremists are apparently determined to keep up the terror campaign until the Government changes.

It is not clear, however, that the JVP would be any happier with a new government if, as Mr Bandaranaike suggests, it offers more devolution to the Tamil extremists than that proposed by the present government. In that sense Mr Bandaranaike and his mother will face the same problems as Mr Jayawardene.

WORLD TRADE NEWS

S Koreans hope to benefit from Gulf ceasefire

By Maggie Ford in Seoul

SUCCESSFUL BIDDING on construction projects in Iraq worth almost $2bn (£1.2bn) may depend on government export credits, according to a South Korean company hoping to benefit from the ceasefire in the war with Iran.

Hyundai Engineering and Construction, which has continued work on projects throughout the war, is involved in bidding on four projects – a $1bn oil refinery, a $400m thermal power plant, a $250m supergrid project, and a steel pipe plant contract worth $75m.

The company estimates that Iraq may spend around $40bn over the next five years on new projects.

Hyundai faces stiff competition from Japanese companies such as Mitsubishi and Hitachi which are able to offer financing to the Iraqi government, strapped for funds after the war.

The government is considering providing financing for companies trying to do business in both Iraq and Iran through the Korea Export Import Bank.

Hyundai officials said, however, that debts owed by the Iraqis were being repaid in promissory notes and in crude oil, although rescheduling was being negotiated on some of the backlog.

The company believes it has good prospects for winning orders in Iraq because it had stood by its commitments during the war years when others pulled out.

Describing the country's plans as "very ambitious", a senior official said Iraq planned an industrialisation drive to give it the strongest base in the Arab world.

This would involve downstream activities such as oil refining and petrochemicals, along with expanded power supplies, more steel mills and export-oriented industries such as car manufacture.

Restructuring plans would centre on the southern area of Basra and the Fao Peninsula, which suffered serious damage, and would focus on housing, hospitals, roads and utility supplies to improve people's welfare.

Hyundai hopes to win orders in the reconstruction of damaged oil and port facilities on the Gulf, an area in which it has substantial experience.

Siemens in Asea link to gain N-contracts

By David Marsh in Bonn

ASEA Brown Boveri, the Swedish-Swiss engineering concern, and Siemens, the West German electricals group, have agreed to pool activities in advanced nuclear reactor technology as a means of winning orders on foreign markets.

The agreement, announced yesterday, concerns the West German subsidiary of ABB and Kraftwerk Union, the power station division of Siemens. The two groups are expected to set up early next year an equally-owned company bringing together their expertise in the high temperature reactor (HTR) field, where West Germany has high hopes of landing orders in countries such as the Soviet Union and China.

The deal, which has yet to be approved by the West German Cartel Office, would cut down on duplication between two groups which until now have been putting forward rival plans for HTR projects in West Germany and abroad.

Kraftwerk Union and Brown Boveri have already signed separate agreements with the Soviet Union and China to study joint development of HTRs, which can also be used for district heating purposes.

Islamabad sets minefield for Gatt unwary

William Dullforce reports an unresolved conflict over intellectual property rights

TRADE ministers learnt at their informal meeting in Islamabad last weekend that, if they are to keep the Uruguay Round of trade-liberalising talks on course, they have not one but two minefields to negotiate when they conduct their mid-term review in Montreal in December.

They knew in advance about the unresolved conflict over agricultural reform, which pits the US against the European Community. Now they will be aware of a potentially equally dangerous confrontation over intellectual property rights. This issue revives the old division between the industrial nations and the developing countries.

It must be said at once that not all the vibrations reaching the negotiating centre in Geneva from Islamabad are negative. Mr Michael Samuels, deputy US Trade Representative, summed up the ministerial mood: "Everybody acted as though he wanted a successful mid-term review."

Ministers were convinced that they would be able to seal two years of talks with some concrete results at Montreal. Among these would be the opening of industrialised countries' markets to Third World tropical products next year.

In addition, the General Agreement on Tariffs and Trade (Gatt) may well conduct its first review of a country's trade policies in 1989. The US has volunteered to be the first to submit to Gatt scrutiny, according to Mr Samuels.

From next year, too, the Gatt mechanism for settling disputes can be speeded up and its capacity for mediating squabbles extended.

The US has made the running on both agricultural reform and intellectual property by tabling in the Geneva talks proposals for radical changes and by insisting that the fate of the Uruguay Round depends on its receiving satisfaction.

It was therefore no surprise that Mr Clayton Yeutter, the US Trade Representative, played the lead role in Islamabad.

Yeutter: lead role

Even EC officials concede that he made an astute move on agriculture by offering to discuss short-term reform measures, while keeping in place the US demand for a commitment to long-term reform by other countries, including those of the EC, at Montreal.

Under its latest formulation the US wants countries to agree that the Uruguay Round must end with a commitment in place to abolish all trade-distorting agricultural support programmes.

So far the EC has refused to contemplate the abandonment of its export subsidies. It has sought a pragmatic approach, arguing that it made no sense to discuss long-term action without first considering short-term measures to halt and reverse governments' enormous budget support for farming.

EC officials claim that Mr Yeutter's offer to discuss such short-term measures as a freeze on subsidies and a percentage cut in aggregate levels of support is more "presentational" than real.

It nevertheless puts the onus on Brussels to come up before the Montreal meeting with its proposal for long-term action, for which the US and the Cairns group of 13 "non-aligned" farming nations have been calling in increasingly vociferous terms.

A long-term paper is being prepared by the EC Commission. It will certainly fall far short of US demands; it will not volunteer to abolish Community export subsidies; and it still has to be accepted by the 12 governments.

Mr Yeutter may have stepped up the pressure but, despite his repeated assurances that US policy on farm trade reform has bipartisan political support, he has not apparently persuaded all European capitals that his hardline policy will remain unchanged if Mr Michael Dukakis, the Democratic candidate, wins the presidential election.

Yet all is not despair in the agricultural talks. Many negotiators are convinced that the semantic wand will be waved in Montreal, language will be found to cover differences over long-term reform and the more optimistic even hope for some agreement on short-term action.

More desperate, it is generally agreed, is the situation in the talks on intellectual property. The US is demanding that ministers agree at Montreal to negotiate in the Uruguay Round a comprehensive Gatt agreement, incorporating a set of minimum standards and enforcement procedures for all forms of intellectual property.

US business claims to have lost $24bn in 1986 from piracy of patents, illegal copying of microchip designs and software and counterfeiting. On this issue Mr Yeutter is being pushed by a powerful domestic lobby and has the support of the EC, Japan and other industrial nations.

His negotiators in Geneva have run into a stone wall among developing countries, notably Brazil and India. These countries fear that granting multinationals "monopoly" rights over such a wide range of intellectual property will undermine their own development capacities.

They want these matters handled in the World Intellectual Property Organisation and claim that the US and its allies are going beyond the mandate on intellectual property given by trade ministers, when the Uruguay Round was launched in 1986.

The situation has been exacerbated by US plans to take retaliatory action against imports from Brazil in the row over Brazil's refusal to pay for pharmaceutical patents.

After Islamabad, where Mr Yeutter evoked no change in the developing countries' position, some US negotiators believe the solution lies in persuading ministers at Montreal to reword the mandate.

Given the sensitivity of the issue in the Third World this would seem to be a vain hope.

Israel in $200m fighter deal with Colombia

By Andrew Whitley in Jerusalem

ISRAEL has concluded a $200m (£125m) deal for the sale of 13 upgraded Kfir fighter-bombers to Colombia. Part of the financing will come from the proceeds of Colombian coal exports to Israel.

The Kfir sale will give its loss-making manufacturer, Israel Aircraft Industries, a much-needed boost. Although prospects have improved since the cancellation last year of the Lavi advanced combat aircraft, cash flow at the state-owned group is still tight.

After negotiations stretching over three years, contracts were signed yesterday at IAI's headquarters.

Approval from the US Administration was required for the export of the Kfirs, which are powered by Pratt and Whitney engines. Once that was obtained, a bigger hurdle was the arrangement of financing.

Colombia will receive an eight-year credit at 9 per cent interest for part of the purchase. A two-and-a-half-year grace period is provided.

The key to the deal was the agreement last April by Israel to purchase 2m tonnes of Colombian steam coal over a four-year period.

IAI closed its Kfir production line several years ago, after supplying the Israeli Air Force with about 150 of the Mirage-III-based aircraft. Defence experts estimate the company has been carrying an unsold inventory of 100 aircraft.

Mothballed while awaiting foreign customers, the version to be delivered to Colombia contains updated avionics derived from the Lavi programme. An unspecified number have been modified to provide in-flight refuelling for Colombia's Mirage 5 squadrons, extending their range.

W Australia to go ahead with A$1bn chemical plant

By Chris Sherwell in Sydney

THE state Government of Western Australia confirmed yesterday it was going ahead with a controversial A$1bn (£467m) petrochemical plant, to be built near Perth in a joint venture with Mr Alan Bond, the entrepreneur.

Mr Peter Dowding, the state premier, said the Government would be investing A$175m for a 43.75 per cent stake in the project, while the Bond organisation would inject equity of A$225m. The remainder will be funded by a non-recourse financing facility.

The plant, to be completed by 1991, is expected to earn some A$250m a year from exports of ethylene dichloride and vinyl chloride monomer to Mitsubishi Corporation of Japan, and to save another A$50m annually through the replacement of caustic soda imports needed for the local alumina industry.

According to the Government, the value of the plant's output would rise to A$500m a year if a further decision is taken to manufacture polyvinyl chloride, the world's best-known plastic. It would also generate a total of 1,700 jobs during construction and 425 permanent jobs subsequently.

"There is not another project on the horizon in Australia that will have as much beneficial impact on the current account figures as this one," Mr Dowding claimed yesterday.

He defended the Government's participation by pointing to the direct role in similar plants taken by governments in Thailand, Saudi Arabia, Singapore, Taiwan and several European states.

The plant is based on the use of natural gas from the giant North-West Shelf project off the state's coast.

Daishowa plans Australia mill

DAISHOWA PAPER is to spend A$450m (£210.2m) on building a paperboard and pulp plant in Australia, Tony Jackson reports from Tokyo.

The plant, at Grafton, New South Wales, will use local eucalyptus to produce 180,000 tonnes of paperboard a year for the Australian market, and a further 150,000 tonnes of pulp for export to China. Construction is due to start next year, with the plant coming on stream in 1992.

Soviet order goes to Swiss

BUEHLER Brothers, the Swiss engineering concern, has received an order worth some SFr100m (£37m) from the Soviet Union for the installation of 16 pasta manufacturing plants, John Wicks reports.

The company is to complete the factories at different sites next year and in 1990.

Buehler claims to have gained a leading edge over Italian competitors in the Soviet market because of its high-temperature technology.

Sales of cars imported to Japan hit new peak

SALES of imported cars in Japan rose 51.1 per cent from a year earlier to a record 15,284 in September, surpassing the previous record 11,976 set in March 1988, Japan Automobile Importers Association statistics show, Reuter reports from Tokyo.

September sales compared with 9,059 in August when they rose 32.2 per cent from a year earlier.

Sales of foreign cars equipped with engines of 2,000cc or smaller rose 48.5 per cent from a year earlier to 9,490, while sales of those with larger engines rose 55.6 per cent to 5,788.

West German cars, accounting for 70.3 per cent of all sales, rose 34 per cent to 10,733, passing 10,000 for the first time.

US-made cars, accounting for 12.6 per cent of the September total, rose 431.5 per cent from a year earlier to 1,924.

Total sales by Ford rose to 796 from 72 a year earlier, and those of GM rose 84.1 per cent to 420.

Sales of British cars rose 53.3 per cent from a year earlier to 906 and of Swedish cars 40.3 per cent to 634.

Pentagon proposes $69bn scaled-down SDI system

By Lionel Barber in Washington

THE Pentagon yesterday unveiled proposals for a slimmed-down version of the "Star Wars" defence system against nuclear attack which would cost $69bn (£41bn), a sharp drop from original estimates of $115bn.

The plan for a limited, first-phase defence system to shoot down nuclear warheads indicates that budget constraints have forced the Reagan Administration to scale back, at least in the short term, its original concept of a comprehensive defence against Soviet attack.

The Pentagon announcement followed a rigorous internal review of President Ronald Reagan's five-year-old Strategic Defence Initiative (SDI).

It appeared aimed at building a consensus in Congress for a limited version of SDI before Mr Reagan leaves office in January.

Both presidential nominees, Vice-President George Bush and Massachusetts Governor Michael Dukakis, have voiced concern over the cost of SDI.

The Pentagon did not set a timetable for initial deployment of SDI, but officials said a decision could be made in the early to mid-1990s "contingent on adequate funding levels".

Last month, the senior Pentagon official in charge of the SDI programme, Lieutenant General James Abrahamson, said he was resigning at the end of January to clear the way for a new leader to be chosen by the next administration.

Gen Abrahamson favoured a far more ambitious programme consisting of hundreds of space-based satellites carrying high-speed rockets to shoot down Soviet missiles shortly after their launch.

However, Senator Sam Nunn of Georgia, the powerful Democratic chairman of the Senate Armed Services committee, this year proposed a limited anti-ballistic missile system called ALPS (accidental launch protection system), which could be available in five years at a cost of $10bn-20bn.

Dr Loren Thompson, deputy director of National Security Studies at Georgetown University in Washington, said the latest Pentagon proposals looked like an attempt to establish a consensus with conservative Democrats such as Mr Nunn who back SDI in principle but want a system which is cost-effective and technically sound.

The Defence Acquisition Board review of SDI is believed to be one of the first thorough internal examinations of the programme's costs. It was ordered by the Defence Secretary, Mr Frank Carlucci, who has a more sceptical view of its technical and financial feasibility than his predecessor, Mr Caspar Weinberger.

Democrats 'stressing foreign investment'

THE Democrats are trying to make foreign investment an issue in the US presidential race, a senior US Treasury official claimed yesterday, AP-DJ reports from Washington.

Mr David Mulford, US Assistant Treasury Secretary, conceded that "not many people like the image of assets up for sale at fire-sale prices". But he said such concerns had been stirred up by "highly superficial" comments by Democratic politicians and others.

Mr Mulford, speaking at a conference on foreign investment, defended the Reagan Administration's record on attracting overseas investors. He claimed that Senator Lloyd Bentsen, the Democratic vice-presidential nominee, "substantially overstated" the amount of control foreign investors had over US manufacturing industries, during his televised debate on Wednesday with Senator Dan Quayle of Indiana, the Republican nominee.

Mr Mulford said there was a time when foreigners "did question the wisdom of investing in the US" during the Administration of President Jimmy Carter in the 1970s, but that was no longer the case.

He argued that the Reagan Administration's domestic and international economic policies and the decline in the US dollar, which has been "substantial" since early 1985, had encouraged foreign investment flows to the US.

Foreign investors, said Mr Mulford, "aren't driven by political considerations" but by economic considerations such as the return on their investments and the "safety" of such investments in the US and other countries.

Referring to the policies favoured by President Ronald Reagan and Vice-President George Bush, the Republican presidential candidate, Mr Mulford said the US was trying to guarantee open markets for trade and investments at home and more liberal markets abroad.

Capital markets must be allowed to respond to market forces. "Why should we move away from policies that has served this country so long?"

Quayle prays for inspiration

Stewart Fleming reports on the vice-presidential candidates' debate

VICE-President George Bush's choice of Senator Dan Quayle as his running-mate came back to haunt him on Wednesday night when the 41-year-old Indianan could not find an answer to the question troubling many American voters: "What would this man do if Mr Bush died in office and he found himself sitting in the president's chair in the Oval Office?"

"Pray" was Senator Quayle's first response and he did not do much better on the two other occasions the question was thrown at him in the 90-minute debate. Even the word "pray" had unfortunate connotations: Senator Lloyd Bentsen, the 67-year-old Texan Democratic vice-presidential candidate, has been telling audiences across the country that they should pray that the inexperienced Mr Quayle does not find himself behind the president's desk.

Each time the question "Are you qualified to be President?" was put, Mr Quayle reached into his memory. Out popped the answer he had learnt in rehearsal about age not being the only criterion and how he was more qualified than the Democratic presidential nominee, Governor Michael Dukakis. At the end, even one of the reporters questioning him could be seen shaking his head in frustration that Mr Quayle could not answer the question.

The answer eventually had to be provided by Mr James Baker, the former White House chief of staff and US Treasury Secretary who is now Mr Bush's campaign manager. He showed how experience counts when, moments after the debate had ended, he appeared on television explaining away Mr Quayle's miscue by implying that the question had not been clearly framed and that the senator could have answered it easily if it had been.

All the rehearsals in the world, it seems, cannot cover up ignorance. It is a lesson which Mr Baker has learnt from papering over the cracks in the performances of President Ronald Reagan – a much more polished actor than Senator Quayle.

The presidential question was not Senator Quayle's only bad moment. When he insouciantly (and incorrectly) remarked that he had as much experience as former Democratic President John F. Kennedy when the Massachusetts senator sought the presidency in 1960, Senator Bentsen skewered him: "Senator, I served with Jack Kennedy. I knew Jack Kennedy. Jack Kennedy was a friend of mine," said the patrician Texan, patronising the young man across the platform. "Senator, you're no Jack Kennedy."

"That was uncalled for Senator," the shaken Indianan retorted. "You are the one who made the comparison," responded the Texan, standing his ground and confirming to the 70m plus audience that he would not shrink from telling a President Michael Dukakis exactly where and why he disagreed with him.

Senator Bentsen missed some debating points – Mr Quayle's claim that the Reagan Administration's foreign policy had promoted human rights in South Africa is a distortion which will be noted by reporters and the Dukakis campaign aides.

And Mr Quayle will have scored some points by rebuking Dukakis supporters in the audience for laughing when he said that America should be proud of the Hondas it exports to Japan. "My country right or wrong" is a stick the Republicans have used effectively to beat their opponents for the past eight years.

"They laugh at that because they don't believe that the United States of America is the envy of the world. Well I can tell you the American people think the United States is the envy of the world," was Mr Quayle's sharp, and for once spontaneous, reply.

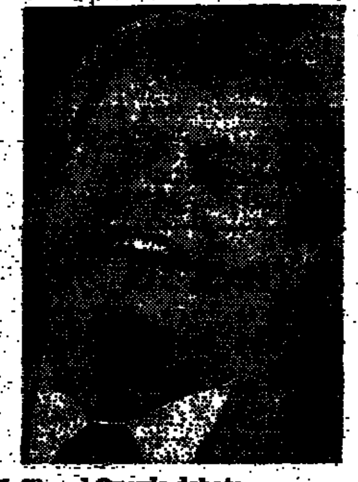
Wednesday night will go down as another debating victory for the Dukakis/Bentsen team, a much more comprehensive one than Mr Dukakis scored over Mr Bush two weeks ago because Senator Bentsen came across not only as mature and well informed, but avuncular and warm.

Many of those Americans who are already telling pollsters by a margin of three to one that Mr Quayle is not qualified to be president will have had their doubts reinforced.

The Bush campaign, with two candidates with a shaky grasp on substantive issues, has had plenty of experience making silk purses from sows' ears – hence Mr Baker's speedy appearance on the television last night.

The American press failed to detect any major blunders by Mr Quayle, so the initial judgment must be that the vice-presidential candidate took no hits below the water line. Mr Baker, moreover, shrewdly scheduled the debate to coincide with the first play-off matches in the baseball season.

The Bush campaign must know for sure now that, except among the party faithful and the right wing, Mr Quayle will certainly not have looked like an asset to the Republican ticket. But not too many of them thought he was before the debate.



Experience counted in Bentsen (left) and Quayle debate

New guerrilla offensive puts El Salvador back in limelight

By Tim Coone in Managua

A NEW military offensive in El Salvador organised by the left-wing Farabundo Marti Front for National Liberation (FMLN), has thrown government forces on the defensive, and once again drawn attention to the seeming intractability of the 10-year civil war.

Over the past week simultaneous attacks by FMLN units have been launched against army garrisons in towns and villages throughout the country.

Although not threatening to overthrow the Christian Democrat Government of President Napoleon Duarte, the offensive has none the less demonstrated the inability of the Government to stamp out the guerrilla forces since the FMLN launched its first all-out offensive in 1980, despite a huge commitment of US economic and military aid to this tiny country of 4m people and an almost six-fold expansion of the armed forces.

The FMLN guerrillas are thought to be outnumbered militarily by a ratio approaching 10 to one, the figure generally considered by military experts to be necessary to win a counter-insurgency war, but the FMLN has shown a remarkable ability to adapt its tactics to compensate for its technological and numerical inferiority.

The counter-insurgency strategy of the army has however prevented the FMLN from breaking out of its traditional strongholds in Chalatenango and Morazon provinces, resulting in a political and military stalemate which neither side has been able to break.

The present FMLN offensive appears aimed at retaking the political initiative, to force the Government back to the negotiating table before a new US president takes office and before the El Salvador presidential elections take place in March next year.

Leaders of the FDR, a political wing of the FMLN, announced last August that they intended to contest the elections.

The Christian Democrat-controlled Government is in crisis, thanks to its inability to end the war and to the failing health of President Duarte, who is dying of cancer. A defeat at the polls for the Christian Democrats would signify a greater polarisation of the country, and probably a bloody intensification of the war.

The right-wing Arena party already controls the Congress, and its leaders have promised a major offensive against the FMLN, the FDR and their supporters as a means of breaking the military deadlock, if it wins the presidency. Human rights considerations would most likely take a back seat – a prospect which has raised concern in the US Congress over a possible victory of Arena

GOVERNMENT AND CONGRESS ALREADY DISAGREEING

Brazilian constitution marks opening of election campaign

By John Barham in Brasilia

BRAZIL'S new constitution came into force on Wednesday, with an emotional ceremony in Brasilia that in effect marked the opening of the presidential election campaign.

In a rousing speech, the constituent assembly's president, Mr Ulysses Guimarães, all but declared his candidacy. He is Brazil's second most powerful politician.

Mr Guimarães, 72, condemned poverty, corruption, and the authoritarian heritage of 21 years of military rule. He has made a constitution his election banner, saying "Who betrays the constitution betrays the nation".

The first free presidential election in 29 years will be held next year.

The Government and Congress are already fighting over the constitution. Tension is likely to continue as the strengthened legislature asserts its role in formulating policy.

Mr Mailson da Nobrega, the Finance Minister, said: "The constitution will not make my job any easier. It will be more difficult to implement certain policies, but we must learn to work with Congress."

Under the constitution, real interest rates are capped at 12 per cent a year. Mr da Nobrega says more legislation is needed before the cap can be enforced, but Congress insists it can be implemented immediately.

The conflict has stalled the economy, since banks have virtually stopped lending or taking deposits.

The Finance Ministry is also concerned that the interest ceiling may affect onlending of money which banks lent Brazil under the September foreign debt rescheduling agreement.

The 1989 budget, which Congress can now prepare, has also become a focus of tension. Congress wants easier terms under which local governments may pay their foreign debts.

The Government says that would strain public sector borrowing and feed inflation. Mr da Nobrega must control inflation, which is likely to reach 800 per cent this year. He said this would be more difficult because a hostile Congress must sanction big policy changes.

The disputes may have to be settled by the judiciary, which has traditionally avoided ruling on political matters. Clashes are inevitable over the 300 or more items of enabling legislation, which will come up for debate in the coming 12 months.

Mr Roberto Cardoso Alves, the Trade and Industry Minister, said he would press for legislation which dampen the constitution's nationalistic tone.

Political leaders say only permanent grass-roots pressure will prevent the constitution from becoming a dead letter. Brazil's seven previous constitutions came to be routinely ignored.

The contradictory new constitution contains important civil and labour rights, while entrenching the power of the military and landowners.

Mr Ronaldo Caiado, who leads a conservative landowners' association, agreed with Mr Jair Meneghelli, a militant labour leader, who said: "We must remain mobilised to defend the achievement of the constitution."

Bush backs US energy industry

By Our Foreign Staff

THE US should decrease its reliance on energy imports from the Middle East and support the domestic oil and gas industry, Vice-President George Bush said

The US is unlikely to change its energy policy before the presidential election, but there is growing pressure for action to limit the damage to America's energy sector.

Speaking in Oklahoma, an oil-producing state, Mr Bush said he sympathised with the region, which has been hit by lower oil and gas prices.

"The American energy industry is too important to our national security to have its economic underpinnings totally dependent on the political climate of the Middle East," he told a political rally.

He called for the elimination of restrictions on fluctuations in natural gas prices, incentives to produce methanol, a by-product of wood that when used in cars produces less pollution than petrol, and tax incentives, primarily aimed at small, independent drillers, to reduce the cost of oil and gas exploration and production.

But a change in policy this year remains unlikely. Mr Bush's comments were discounted by many analysts as electioneering.

There have been a number of initiatives for measures to support the ailing US oil industry since the oil price declined in 1986, but most have foundered.

Anything which pushes oil prices up, aiding the oil-producing South-West, is unpalatable to the oil-consuming North-East.

But there is growing impetus for some kind of support for the US energy industry, given the damage caused to regional economies and the poor outlook for oil prices.

Canadian polls leave reform in limbo

By David Owen in Toronto

THE Canadian general election call has left a number of bills, including the last stage of the Government's comprehensive financial services reform, in limbo.

Draft legislation which would have permitted banks, insurance companies and trust companies to enter one another's territory has now been dissolved along with parliament. The bill would also have given trust companies and insurers free rein to make consumer and commercial loans.

The reform plans were in any case becoming bogged down with industry objections to planned restrictions on links between commercial and financial services companies. Ottawa had planned to prevent commercial and industrial groups from holding more than 65 per cent of a financial institution with more than C$50m (£25m) in capital.

None the less, the additional wait to see what shape reform will eventually take will be frustrating for the industry.

Among other proposed legislation left hanging by the election call were bills to implement the US-Canada free trade agreement, to regulate conflict-of-interest, to create more day-care spaces and to define pornography.

Chilean battle has only just begun

Barbara Durr on the parties in opposition to General Pinochet

THE 16 parties which led a unified Chilean opposition campaign against General Augusto Pinochet were savouring their victory yesterday. But the camaraderie of the campaign may not last.

The different political tendencies huddling under a single umbrella against Gen Pinochet are expected to come into play soon. The 16-party coalition, known as the "Command for the No", ranges from centrist Christian Democrats to a number of socialist parties considerably further to the left. It also includes the new Humanist Party, which identifies itself as "non-ideological, but left".

Until the plebiscite, a single-minded drive to defeat the General blurred differences, but ideas vary within the coalition on how the transition to democracy should be carried out, and who is to lead it.

While the Christian Democrats are, for example, willing to leave the economy working more or less as is, socialists such as Mr Ricardo Lagos believe that, without a radical modification of the economic structure, the transition to democracy will be incomplete and reflect only the social differences generated by the dictatorship.

Mr Lagos's views are to be taken seriously. As head of the Party for Democracy, which is not in reality a party but a conglomeration of smaller left parties and groups united for the plebiscite campaign, he emerges with enormous prestige. He and Mr Patricio Aylwin, the moderate president of the Christian Democrats, are likely to be duelling in the coming days. Both were acting a little like candidates themselves in the last days before the plebiscite.

If the opposition is to consolidate its victory successfully, it will have to agree on a candidate for president in the coming elections. Personal political ambitions, long pent up after 15 years of military dictatorship, is expected to begin to drive wedges into the coalition.

The opposition has, however, agreed on a number of points for quickening the transition to full democracy. These must be negotiated with the armed forces. First, they want to hold free presidential elections sooner than the December 1989 deadline given in the 1980 constitution. They also want to reduce the presidential term from eight to four years.

It is expected that the opposition will press for Gen Pinochet's resignation as soon as possible. He can remain in office until a new democratically elected president takes office in March 1990.

Similarly, they want an accelerated election for a Congress which would have been scheduled for March 1990. But, in contrast to the current rules of the game, they believe the Congress should have constituent powers for changing the constitution. They also want to reduce the number of appointed positions in the Senate and have both houses fully elected by the people.

With respect to possible future prosecutions of military officers for human rights offences, Mr Aylwin, as spokesman for the coalition, has limited himself to saying: "Without justice there cannot be peace." This could be a negotiable item with the armed forces to obtain a more rapid return to democracy.

Astra satellite to offer up to 14 English channels

By Raymond Snoddy

ASTRA, the Luxembourg direct broadcast satellite, is likely to carry between 10 and 14 English language channels after its launch in mid-December.

A consortium comprising W.H. Smith, the UK-based newsagent group, British Telecom and Maxwell Entertainment are close to agreement with Société Européenne des Satellite, (SES) the private company launching Astra, to lease satellite capacity for six programme channels.

Astra is a 16-channel television satellite powerful enough to broadcast to dish aerials 60cms in diameter across most of the UK. Mr Rupert Murdoch, chief executive of News Corporation, has already said that he will launch four channels of advertising-financed television on Astra in February.

Mr Murdoch is now likely to be followed on to Astra by the W.H. Smith, Maxwell, BT consortium. Altogether it will account for two film channels - Premiere and Home Video Channel - MTV, the pop music channel, Children's Channel, Lifestyle and Screensport, all already being transmitted by low power satellite to cable television networks.

A further four channels, three of them American, are also considered likely to sign up with Astra eventually. They are the Disney Channel, The Discovery Channel, featuring nature, science and history programmes and Mr Ted Turner's Cable News Network. The UK contender is Super Channel, which is the object of bids from Mr Maxwell and United Cable of the US.

Talks are also proceeding with companies seeking to lease a few hours of satellite time a day for specialist programme services. These include the European Business Channel, the Arts Channel and Landscape Channel which combines music and landscape films.

A 10-year deal involving 16 channels would be worth about £200m for SES.

Lloyds to offer dual credit card network

By David Barchard

LLOYDS BANK, the smallest of the Britain's big four commercial banks, is to establish its own network of retail outlets for credit cards, offering retailers for the first time simultaneous membership of the Visa and the Access/Mastercard systems.

This is the latest move in an intensifying war between the main banks for the credit card market. It began in September last year when Lloyds, an Access card issuer, applied for membership of Visa International.

At present there are only two credit card retail networks in the UK. Barclays Bank operates a network for Visa while the Joint Credit Card Company handles negotiations for the Access banks, the UK affiliate of MasterCard International.

Lloyds will compete against Barclays and the JCCC for the network. However, Barclays has applied to MasterCard International and is likely to be offering its retailers dual Visa/MasterCard facilities in the near future.

Although Lloyds has stolen a lead on its rival, Barclays enjoys several advantages, including a large salesforce with 22 years' experience of handling retail negotiations and 7,000 "point of sale" electronic terminals compared with about 50 for Lloyds.

Retail organisations were generally delighted with Lloyds' decision. Mr Bob Woodward, chairman of the Retail Consortium, set up by the chain stores to handle negotiations over credit cards with the banks, said the announcement was a big step in liberalising of the credit card market.

Tory call for positive attitude to Europe

By Tim Dickson in Brussels

A RINGING call for Britain to play a more positive role in the European Community, coupled with a warning that loss of national sovereignty is both inevitable and desireable in the run up to 1992, are among the major themes of a controversial new analysis to be presented to delegates at next week's Conservative Party conference in Brighton.

Although written before Mrs Thatcher's widely publicised speech in Bruges last month, the comments of the Bow Group paper's author, Conservative MEP Mr James Elles, will be seen as further underlining the party differences on attitudes to Europe.

Mr Elles is one of the more thoughtful and least theatrical of the 45-strong group of Tory MEPs at Strasbourg. The sharp differences between some of his ebulliently Federalist colleagues and a rival band of ardent Thatcherites has been exposed by public squabbling in recent days, but Mr Elles' more "middle of the road" views are almost certainly shared by a majority of his party colleagues.

While describing himself as "a supporter of the Prime Minister," the tone of much of his paper will not necessarily win approval at Downing Street.

Taking as his text the proposition that Europe must grow closer to survive competition from the US and Japan in the 21st century, Mr Elles dismisses as an "illusion" the idea that "a united Europe could be achieved without any loss of control by EC member states over their internal affairs." But in a section on British ambiguities he adds: "This shift of power from national to European authorities should be seen not so much as a loss but more of a net gain of sovereign power."

Mr Elles further emphasises that "the internal market will not become a reality without acceptance that there are wide ranging implications (eg in the monetary field) above and beyond the simple removal of trade barriers. If these are brushed aside, we will land up with a pale shadow of what has been proposed."

THE LABOUR PARTY AT BLACKPOOL

Kinnock rebuffed in key vote on defence

By Michael Cassell, Political Correspondent

MR NEIL KINNOCK, the Labour leader, was yesterday given a clear warning by his party that he risks igniting a damaging internal fight over defence if any attempt is made to shift its position on unilateral nuclear disarmament.

In a decision which forcefully underlined the scale of the task facing the Labour leader in trying to formulate a defence policy acceptable to supporters and credible to voters, delegates to the Blackpool conference yesterday defeated by 3.2m votes to 2.9m a leadership-backed motion calling on Labour to pursue its non-nuclear objectives via unilateral, bilateral or multilateral action.

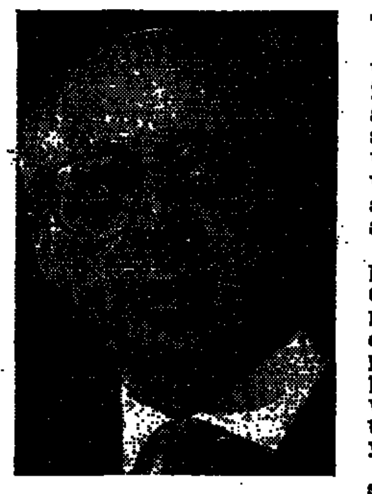
Mr Kinnock at once pledged himself to pursuing the party's attempts to reshape its defence strategy. He said: "It is our duty to secure a policy for defence and nuclear disarmament that can secure the support of our country."

"Today's votes were not conclusive," he added. "The policy review goes on."

After an impassioned, sometimes angry debate, the conference also supported by a majority of 1.2m a motion calling on the party's national executive to campaign for the unilateral removal of all nuclear weapons and nuclear bases from Britain.

A majority of nearly 500,000 also backed a motion demanding that money saved by cancelling Trident missiles should be injected into health and other public services.

Can we tell the Soviets that Labour will work for a non-nuclear world?
— KAUFMAN



The votes cast a shadow over Mr Kinnock's progress this week in steering his party towards adopting a new set of policies designed to secure victory at the next election.

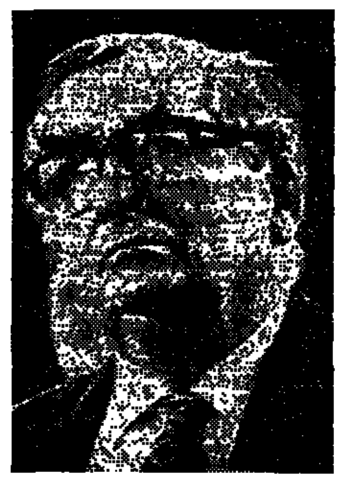
The defeat at the hands of party members, who suspect that the leadership intends, over the next year, to drop its unilateralist stance, was sealed before the debate with several of the largest unions lining up behind the TGWU general workers' union and Mr Ron Todd, its general secretary.

Mr Todd warned the party that it was in danger of backing away from Labour's long-standing defence strategy. He said: "If we bend, the pressure will become overwhelming, if we give an inch, it will lead to a mile, another mile and then another mile."

Labour leaders moved to play down the impact of the decision immediately after the result was announced. They claimed that the vote had not put a straitjacket around the party's defence working party, which is due to unveil an updated defence stance to next year's annual conference.

Party leaders were taking some comfort in the size of the support for a motion which went beyond Labour's existing unilateral stance. It was also clear that any attempt to depart from a unilateralist position will face defeat unless much of the party, particularly the trade unions, are persuaded to adopt a more flexible approach to nuclear disarmament.

For the first time in history I can see a chance of ending war forever
— HEALEY



Mr Ken Livingstone, a left-wing member of the party's ruling national executive committee, said that if the leadership attempted to ignore the clear message from delegates it would provoke civil war within the party and make Labour unelectable. If the conference decision was pushed aside, he added, both sides of the argument would mobilise.

Mr Gerald Kaufman, the joint convenor of the defence working party, stressed that work on defence policy would not begin until early next year and said that the "extremely important" views of the conference would be taken into account during the review. He added: "It would be an outrage if the policy review group ignored today's decisions."

Mr Kaufman plans to go to Moscow later this year with Mr Martin O'Neill, the party's defence spokesman, to talk about a possible bilateral nuclear arms deal with the Soviets.

During the debate, Mr Kaufman said that one approach for a Labour government was to "simply and speedily" divest itself of nuclear weapons "off our own bat." Such a move, however, would end Britain's role in world nuclear disarmament, where it could have a constructive part to play.

Mr Denis Healey, the former Labour defence secretary, said that with Washington and Moscow "moving past detente to entente," Labour could help the arms reduction process along while Mrs Thatcher would do everything in her power to sabotage the process.

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Party's Euro-vision looks beyond Little England

LABOUR'S acceptance of what was once regarded as the deathly embrace of Europe was completed yesterday with the overwhelming adoption by the annual conference of a resolution formally recognising Britain's political and economic integration in the European Community, Charles Hodgson writes.

The conversion, a full 15 years after Britain's accession, has been less than Pauline. But coming on top of Mr Neil Kinnock's glorious vision of a European "social space" in his leader's speech on Tuesday and the enthusiastic welcome accorded to Mr Jacques Delors, the European Commission president, by the Trades Union Congress last month, it marks the final death knell of the Labour movement's characteristic anti-Common Market stance.

Labour's "little Englander" corpse still twitched periodically yesterday, but most in the party accept that the debate on Europe has now moved on.

In line with the challenge outlined by Mr Kinnock of securing social justice and economic efficiency at home, Labour now recognises that its task is to ensure that the so-called social dimension in the forthcoming single European market becomes the central thrust of the party's approach to Europe.

That social dimension is anathema to Mrs Margaret Thatcher, Labour argues. The Prime Minister's celebrated Bruges speech only served to underline her vision of Europe as a market free-for-all and will lead to the export to Europe of the economic inequalities, which Labour believes, starkly divide Britain.

In sharp contrast Labour's "social Europe" as defined by Mr Kinnock, means ensuring the highest standards of working conditions and workers' rights. It means raising British pensions and benefits to European standards, tough anti-trust legislation to protect consumers and substantial increases in social and regional spending to counteract the EC's "inevitable pull of wealth, production and jobs towards the centre."

It involves "root-and-branch reform" of the Common Agricultural Policy and EC action to protect the environment.

Hand in hand with social progress in Europe, Labour must ensure that British industry can face up to the chill winds of European competition once the final barriers to trade come down in 1992. This, Labour argues, Mrs Thatcher has failed to do.

Mr Tony Blair, the party's industry spokesman, insists that Labour must formulate an industrial policy, aimed at improving competitiveness, enforcing anti-trust legislation and fostering technological and scientific advance. Without such a policy, the single market spells disaster for Britain, he says.

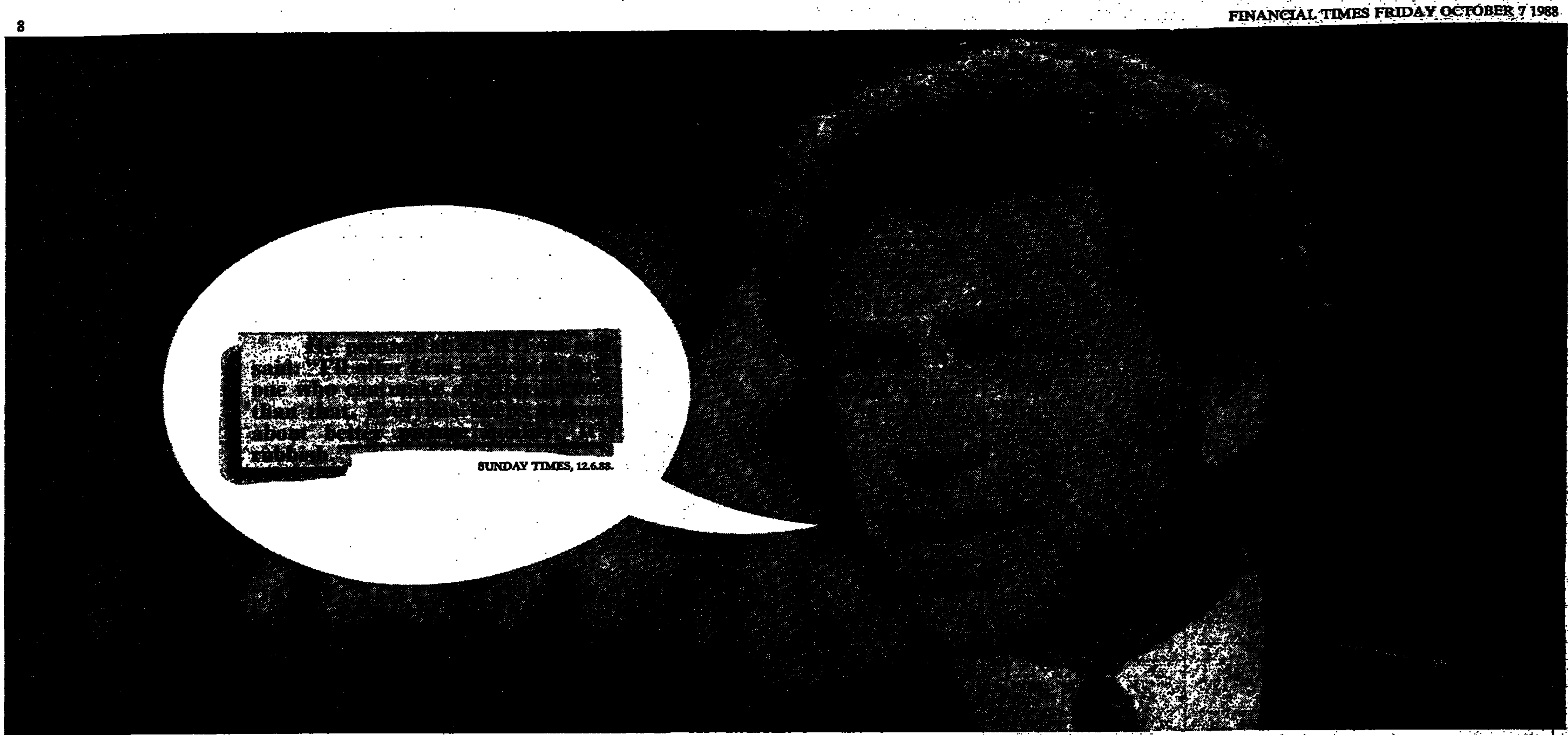
The resolution endorsing Mr Kinnock's new vision was moved by Mr Bill Jordan, president of the AEU engineering union, who said that it symbolised Labour's positive approach to Europe. Mrs Thatcher, post-Bruges, now clearly stood for insularity.

Mr Jordan's exhortations were countered unsuccessfully by an alternative resolution calling on Labour to stand by the commitment given in the 1974 referendum that the Government would always have a veto on key EC legislation, now under threat from the Single European Act provision for majority voting.

It insisted that all legislation originating from Brussels should be ratified by the British Parliament and Government. This resolution was remitted to the foreign policy review group, which will present its final proposals to next year's conference.

Labour shares Mrs Thatcher's dislike of the Brussels bureaucracy and is committed to ensuring that maximum control over national and European decision-making rests with parliament.

But while Labour's new direction was endorsed by conference, there are some in the party, particularly on the left, who feel that the scale of the task facing Labour in achieving it is sorely underestimated by those charged with drawing up practical policies.



Dear Alan, Looks like your PAL just cost you a million.

As you may know, PAL is the existing television transmission system in Britain.

As you may deduce from Mr Sugar's pronouncement, PAL has been adopted by Rupert Murdoch's Sky Television for its direct satellite broadcasts scheduled to start early next year.

When it was invented in the sixties, PAL unquestionably offered the best picture quality of any television system in the world.

But twenty years is an awfully long time in this field. A fact brought home to us the first time we saw the D-MAC system which, incidentally, was developed here in Britain.

In a side-by-side comparison, the superiority of the picture quality of D-MAC is demonstrable.

That's not just our view, but that of the Independent Broadcasting Authority and 95% of the people who, at our invitation, recently sat through the first live D-MAC satellite transmission.

Historic moment though it was, this first live transmission was watched on perfectly ordinary television sets fitted, as many of the sets now on sale are, with a Euroconnector.

(Indeed, a television set not fitted with a Euroconnector, but connected to the set-top box required to receive all satellite transmissions, can receive D-MAC transmissions. But, sadly, the picture will only be to the existing PAL standard.)

D-MAC doesn't just offer the possibility of superior picture quality from next September, either. From day one, it also offers digital stereo sound, parental control and over-the-air messaging. And, in the not too distant future, wide-screen, cinema-quality pictures.

We rest our case and trust Mr Sugar will put his money where his mouth is.

To be specific, we'd like Mr Sugar to send the aforementioned £1m cash to the charity of his choice. And advise us of same.

Interested? Call us free on 0800 900 900.

WE'RE NOT KEEPING YOU WAITING FOR NOTHING.
ROCKET LAUNCH 10 AUGUST 1989. PROGRAMMES START SEPTEMBER.

Property group may back Hotol launcher project

By Peter Marsh

THE Carroll Group, a privately owned property and investment company, is discussing the possibility of taking a share in the funding of Hotol, a potentially revolutionary space launcher being developed by British Aerospace and Rolls-Royce.

The group has talked to Mr Alan Bond, the inventor of Hotol, about taking part in the project. The Government has refused to back the scheme, which has been under development by BAe and Rolls-Royce since the early 1980s, and has called on private enterprise for support.

BAe said that it not spoken formally with the Carroll Group but that it hoped to arrange a meeting soon. The aerospace group said that it was willing to talk to any organisation which was interested in possible funding for Hotol.

However, even the property group's involvement would still leave Hotol's future in extreme doubt.

The Carroll Group said that it was not prepared to discuss how much money it might be prepared to invest in the programme, which would cost an estimated £5bn to develop to the point of a working prototype.

The Carroll Group, based in London, is involved in a range of large property developments in Britain. The 70-year-old company does not release annual income figures, but says that it is involved in development and investment programmes valued in total at more than £850m.

The group has also been chosen by the Defence Ministry to undertake a £60m property development on 50 acres belonging to the Government-run Royal Aircraft Establishment at Farnborough in Hampshire.

Engineers involved with the Hotol (which is short for Horizontal Take-Off and Landing) project say it has a good chance of producing a revolutionary space vehicle which would take off from an ordinary runway. This would greatly reduce the costs of lifting payloads into orbit.

The vehicle could be flying by the early years of next century and would be powered by a novel air-breathing engine under development by Rolls-Royce. This would replace the conventional motors used in rockets which rely for fuel on liquid-oxygen carried in tanks.

So far the Government and the two aerospace companies have invested about £3m between them in the Hotol programme. It is envisaged that the scheme needs at least another £15m over the next few years to continue development.

Hotol is among a number of advanced concepts for space vehicles which have emerged as contenders for the space travel of the next century. Other schemes are under discussion, and in some cases already have funding, in the US, Japan, France and West Germany.

One possibility for the Hotol development is for financial backing to be shared by the 13 countries of the European Space Agency, of which Britain is a member. Observers believe, however, that ESA is unlikely to back Hotol without strong support from the UK Government.

Coal users fend off 'greenhouse' accusations

By Maurice Samuelson

THE INTERNATIONAL coal industry hit back yesterday at charges that coal-fired power stations are a prime cause of the climatic changes associated with over-heating of the atmosphere.

The London-based World Coal Institute, representing a wide range of national and private coal utilities and traders, said research by its members showed that the contribution of coal-fired power stations to the phenomenon known as the greenhouse effect had been "greatly exaggerated."

Its comments reflect fears among coal producers that proponents of nuclear power, who are on the defensive on safety grounds, want to turn the tables against coal on a wide range of environmental grounds.

Mr Richard Tallboys, a former British diplomat recently appointed as the World Coal Institute's chief executive, told its annual general meeting in London that in combating pollution more attention should be paid to chemicals used in aerosols, and the contribution made by motor engines to acid rain.

Earlier this week, a report from the Royal Institute of International Affairs urged industrialised countries to reduce their coal consumption and to switch to other forms of electricity production, including natural gas.

Mr Tallboys yesterday retorted that coal's image as a fuel identifiable with dirt and grime was completely out of date, as was shown by the improvement in the atmosphere of London in the past 30 years.

Modern coal-fired stations emitted very low levels of pollutants, were safe and economical to operate "and when it comes to decommissioning they can be demolished without hazards or converted to valuable community uses."

Dr Ten Wolde, of Shell Coal International, told the meeting that coal-fired power stations would become even cheaper and cleaner to run as a result of technological developments in which the coal would be turned into gas before being burned.

Vehicle registrations 11.58 per cent ahead over nine months

Car sales near fourth record year

By Kevin Done, Motor Industry Correspondent

THE BOOM in UK new car sales continued in September with registrations rising to the highest total for the month in spite of the jump in interest rates and the withdrawal by several manufacturers of cheap finance schemes.

Sales in September rose by 7.73 per cent to 191,121 units from 177,412 units a year ago, confounding forecasts that sales would weaken, at least temporarily, in the wake of record demand in August when new registrations totalled 477,305 units, a jump of 17.2 per cent.

For the first nine months of the year new car sales, at 1.83m units, are 11.58 per cent ahead of the corresponding period of 1987 and are on track to reach a record for the fourth year in succession at around 2.2m units, according to figures released yesterday by the Society of Motor Manufacturers and Traders.

The main loser last month was Ford, the dominant UK market leader, whose share for the month dropped by five percentage points to 27.29 per cent from 32.57 per cent a year earlier, reflecting a drop of 9.7 per cent in sales volume.

Ford led the market last month by withdrawing its cheap finance sales promotion scheme. The company said yesterday it had still not managed to replenish its stocks after the two-week strike in February in the face of the record overall market.

Ford, which has led the UK market since 1977 and has the three best-selling UK models – the Escort, Sierra and Fiesta – has suffered a fall of two percentage points in market share in the first nine months of the year to 25.68 per cent from 28.78 per cent a year ago.

Surprisingly the Ford Fiesta was the best-selling UK car in September, in spite of the fact that it is due to be replaced early next year.

Rover Group, now a fully-owned subsidiary of British Aerospace, appears finally to have arrested the long decline in its market share. For the first nine months its share has increased marginally to 15.33 per cent from 15.19 per cent a year ago. The company enjoyed a very strong September, capturing 16.5 per cent of the market compared with 13.01 per cent a year ago.

The share taken by imported cars was reduced slightly in September to 53.88 per cent from 54.18 per cent in September last year, but for the first nine months the share taken by UK-built cars is still dramatically lower at only 43.7 per cent compared with 48.4 per cent in the first three quarters of 1987.

Against the trend of the first nine months Nissan sales were very weak in September, while both Volkswagen/Audi of West Germany and Renault of France recaptured some lost ground.

UK CAR REGISTRATIONS

	September 1988	%	1987	%	Year to date 1988	%	1987	%
Total market	191,121	100.00	177,412	100.00	1,829,759	100.00	1,637,131	100.00
UK produced	88,141	46.12	81,293	45.82	798,352	43.70	791,912	48.37
Imports	102,980	53.88	96,119	54.18	1,026,407	56.30	845,219	51.63
Ford	52,162	27.29	57,783	32.57	487,426	26.68	471,195	28.78
Rover Group	31,526	16.50	23,087	13.01	279,998	15.33	248,722	15.19
Vauxhall/Opel	23,300	12.19	16,459	9.28	246,934	13.52	218,044	13.32
Peugeot/Citroen	18,404	9.63	14,693	8.28	158,524	8.68	119,083	7.27
Nissan	10,219	5.35	12,696	7.16	109,039	5.97	89,496	5.47
Audi/VW/Seat	11,316	5.92	9,300	5.24	104,774	5.73	96,692	5.91
Renault	10,116	5.29	7,921	4.46	72,992	4.00	66,353	4.05
Fiat/Alfa/Lancia	4,291	2.25	5,165	2.93	67,227	3.68	61,068	3.73
Volvo	4,983	2.61	5,796	3.27	63,589	3.48	56,525	3.45

Source: Society of Motor Manufacturers and Traders

Lloyd's insists syndicates use data network

By Nick Bunker

LLOYD'S of London, the insurance market, is to compel all its 380 insurance syndicates to join a Lloyd's computerised data network in an attempt to speed up its transformation into an electronic marketplace.

Membership of the network, launched in spring 1987, allows syndicates and insurance brokers to communicate with each other and with the market's central facilities via an electronic data interchange system operated by IBM.

At present, however, only about 60 per cent of syndicates are connected, although IBM charges them only £1,850 to join and the only equipment required is an IBM-compatible personal computer.

The move, announced by Mr Alan Lord, chief executive of Lloyd's, is a radical departure for Lloyd's.

Accountants make move towards coherent rules

By Richard Waters

THE UK accountancy profession has begun a long haul towards establishing a coherent set of rules for company accounts, and in the process tentatively reopened the issue of how accounts reflect the effects of inflation.

The push, if successful, could in theory lead to a new set of accounting standards. The 21 statements of standard accounting practice (SSAPs) in the UK have been attacked as having been adopted piecemeal to meet temporary accounting difficulties, rather than in accordance with an overall scheme of how companies should report their figures.

However, Mr Michael Renshall, chairman of the Accounting Standards Committee, said yesterday that the initiative was unlikely to lead to the the wholesale scrapping of existing standards. "Even if that is the logic, it is impractical. We have to start from where we are, and go on to develop better standards," he said.

The impetus behind the move is a report on the broad, guidelines that should underlie accounting standards, which has been financed by the Institute of Chartered Accountants in England and Wales.

The report is being written by Professor David Solomons, a British accountant who was the principal author of a similar work produced for the US Financial Accounting Standards Board.

In a draft of his report, presented to the ICAEW at the end of last week, Professor Solomons said: "Accounting standards, where they exist at all, have everywhere developed in a rather haphazard manner. Firefighting is the description usually applied to the process."

Public backs overseas aid without strings

By Peter Montagnon, World Trade Editor

MOST BRITISH voters support the idea of taxpayers' money being spent on development aid, but are lukewarm about aid money being used to promote exports or strengthen political ties with developing countries, a recent survey shows.

The Marplan poll commissioned last month by a leading charity offers a rare insight into public attitudes towards aid spending. It suggests in particular that the so-called industrial lobby, which would like to link aid more closely with Britain's export effort, has largely failed to get its message across.

Altogether 71 per cent of respondents felt that Britain ought to help poorer countries, but only 21 per cent thought the most important reason for doing so was to create trade opportunities. An even smaller number – only 8 per cent – thought that the purpose of aid spending should be to make poorer countries more friendly towards Britain.

The charity which commissioned the poll declined to be identified because it conducted the research for internal purposes. The results confirm, however, the long-held view of many private aid organisations that the public sees aid primarily as a moral obligation.

Sixty per cent of respondents thought the main reason for aid spending was because it was "morally right to help countries which are poor."

THE Overseas Development Administration plans to channel additional funds through private-sector charity organisations to help more official aid funds reach the poorest in developing countries, Our World Trade Editor writes.

Mr Christopher Patten, Aid Minister, announced the plan at a symposium organised by ActionAid. It reflects a growing tendency of official aid bodies, including the World Bank, to seek greater collaboration with non-government aid organisations (NGOs).

Mr Patten said ODA was increasingly looking to collaborate with NGOs to develop much larger projects than those which have traditionally been funded jointly.

He said: "If this trend continues, voluntary agencies could become a much more significant partner of British official aid – as they are in some other donor countries already."

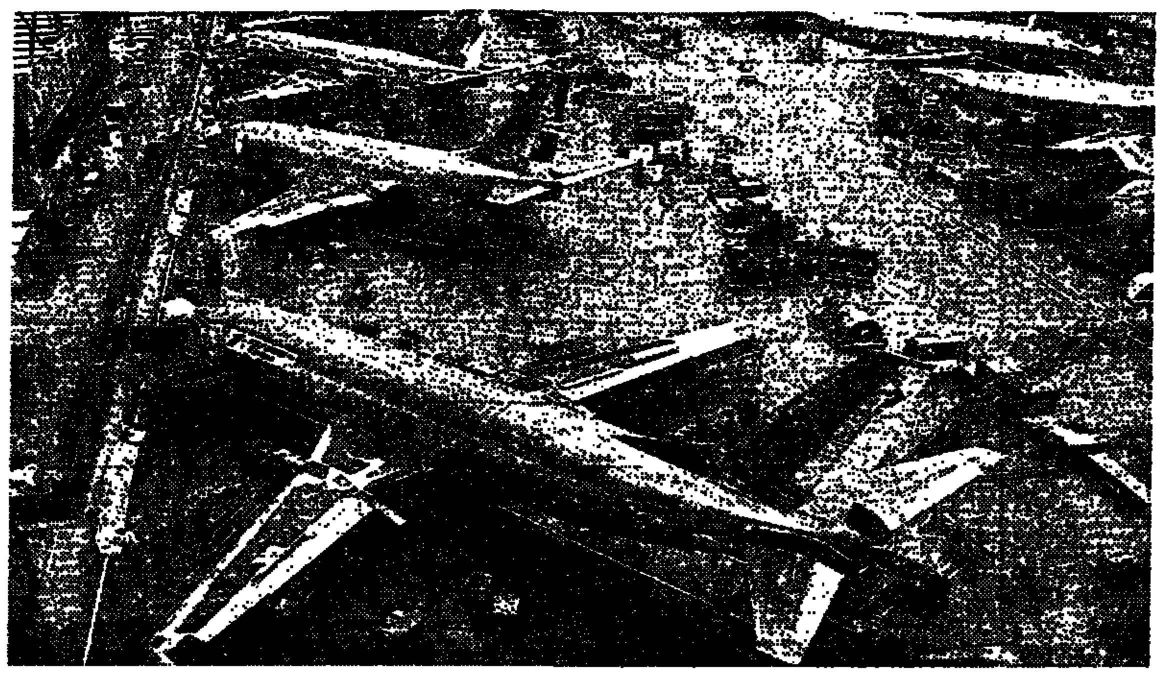
Fifty four per cent thought that it was reasonable for the UK to demand reforms from recipients before giving aid, but the reforms regarded as most important were those designed to help the poor.

These attracted significantly greater support than reforms to enhance democracy, improve human rights or make the recipient economy more competitive.

Only 35 per cent of respondents thought that the most important form of aid was emergency relief. By contrast 54 per cent thought that its most important aspect was long-term assistance for agriculture, schools, water and health.

The poll showed a marked lack of interest in infrastructure projects which are often supported by industry.

TECHNOLOGY



Boeing's Renton plant, where a new 737 rolls out of the assembly hall every day and a half

The culture shock of automation

Nick Garnett examines new cost-cutting manufacturing techniques and the problems that come with them

In and around the pleasant US west coast city of Seattle lies one of the world's greatest concentrations of manufacturing power held by a single company. This is where Boeing employs 93,000 people in scores of production plants and office blocks.

More than half the 10,000 large commercial jet air liners ever built were engineered and assembled by Boeing workers. At Renton, just south of Seattle, a new 737 rolls out of a vast assembly hall every day and a half. In nearby Everett, 747s are made in the world's biggest single production building.

At Auburn, Boeing has a gigantic machining shop, perhaps the world's biggest at 4.2m sq ft. Every day it dispatches 72,000 components and sub-assemblies, many of them made on cutting machines the size of a house.

In one corner of the Auburn plant, Boeing has installed its first flexible manufacturing system (FMS). Eight machines are linked together and fed by automated trucks. Run by a computer softwear programme, the system is part of an advance guard of new production techniques capable of dramatically lowering manufacturing costs.

The trouble is that Boeing does not know how to run the Auburn system. A year and a half after installation, it still cannot get the softwear to work properly. Workers have resorted to starting and stopping the trucks manually. There are twice as many machine tool operators as there should be.

In other words, a company that makes sophisticated aircraft, which can fly 500 people for thousands of miles, is struggling to cope with a manufacturing system the basic concept of which has been around for years.

The Auburn example indicates a fundamental problem facing manufacturing companies, especially in the US and western Europe. Although the new techniques cut costs and improve production flexibility, they require a big shift in culture.

To run automated systems with any degree of success, companies need graduate level engineers on the shopfloor. They need detailed statistical breakdowns of their production costs. They need strategic manufacturing plans. They need to redesign products. Much of this simply does not fit in with western industrial culture.

Many western manufacturers rushed into automating their factories in the early 1980s, ran into trouble and turned away from FMS towards simpler systems.

However, the Japanese and to some extent the West Germans, who both made a slow start in manufacturing automation, are now beginning to pull ahead.

Japan has a huge stock of conventional machines. Of its 600,000 production machines, only 11 per cent are computer controlled. The down-at-heel jobbing shop lives on.

But among its most advanced manufacturers, technical developments in production are proceeding rapidly. In 1985 Japan had 135 FMSs in basic engineering companies. This has nearly doubled to 254, according to the Japanese magazine, Metalworking. This compares with about 20 in the UK.

Two questions about the balance of power between manufacturing nations emerge from this:

Is a new wave of low-cost flexible manufacturing, allowing greater product and model variation, about to emerge from Japan? That country is already an excellent low-cost manufacturer, principally of large volumes of standardised merchandise with "optional extras" built in to help reduce manufacturing costs.

Where does this leave the supposed revival of smokestack America? Plants are loaded with orders now, mainly because of the high demand for industrial products and the impact of currency movements.

But many US manufacturers are inefficient and have little concept of how to measure factory performance. Some are installing FMS but, in a computer culture, the best American engineers would rather work with VDUs than shopfloor machinery. With some notable exceptions, such as the Ford motor company, these are common characteristics.

Larry Yost is operations vice president of the industrial control group at Allen-Bradley, the Milwaukee-based supplier of programmable controllers, computers and other equipment used in factories. Ask him whether smokestack America is making a sustained return from the miseries of a few years ago and his face looks troubled.

"Some good things are happening. Strategic thinking is coming in the US, but very slowly. I get the sense that in Europe there is a better understanding of all this. Meanwhile the Japanese are clearly taking the flexibility route," he says.

Bob Douglas, president for engineered systems at Litton Industries, the factory automation and equipment supplier based at Florence, Kentucky, says the position of many US companies has worsened.

"I do believe that US manufacturing companies have reduced their staff counts over the past 10 years and, as a result, engineering types found in shopfloor operations have been displaced."

There are three levels of factory automation:

- Computer Integrated Manufacturing (Cim) is a total system. This involves customer orders arriving electronically and an integrated computer system running the production operation from start of assembly to final dispatch.
- FMS involves the computer linking of several production or assembly machines, usually with an automated handling system.
- The simplest form of automation is known as cell manufacturing. Each cell is made up of one or two cutting machines connected to a robot or simple handling equipment. The cells are programmed by computer but operate separately from everything else in the factory.

The Japanese have many production plants where there is electronic ordering of materials. But they have shied away in droves from Cim. The concept seems to have failed to take off anywhere, even though some clever factory-wide packages do exist. Systems integrators and equipment suppliers have instead lowered their sights to individual operations within factories.

Allen-Bradley has a plant with an integrated assembly system in Milwaukee, Wisconsin, which — with just 13 technicians and machine minders — produces 600 electrical components an hour in almost 800 product variations. Producing small components with many variations is the most suitable type of production for Cim. But these types of plants are few and far between.

The automation issue of the moment is FMS versus cells. Frightened by the cost of FMS, worried about how to organise the feed of materials and lacking the technical expertise to run the system, many companies have simply backed off.

The US machine tool sector, which tried to lead manufacturing industries into FMS, has itself been sliding away from it. Cross and Trecker is closing its components facility at Georgetown, Kentucky, and splitting the FMS into cells for other plants. This leaves Ingersoll, which has an outstanding plant at Rockford, Illinois, and Mazak of Japan as the only machine tool makers with US plants that use FMS.

Cells are perfectly adequate production systems for some components and some factories. But Yost says that the penalty in manufacturing costs of not transferring production to FMS where it can be done is often high. The other problem is that a shopfloor designed around cell manufacturing is difficult to convert to FMS.

Manufacturing costs are becoming ever more important in the battle for market share. This brings us back to Boeing. A marvellous organiser of its assembly operations, management openly concedes that Boeing's manufacturing is no where near as cost efficient as it should be.

Airbus has become a significant competitor. The Japanese, who already provide a lot of the electronics for Boeing planes and many of the fuselage sections, have a long-term aim to manufacture large jets. Their aerospace industry could grow from its current annual sales of $7bn to $30bn by the end of the century, according to a report by consultants Booz Allen & Hamilton.

At the moment Boeing is engaged in a long programme of re-examining how it does things. But for successful businesses — Boeing has more than 60 per cent of all jet liner orders this year — there is an added problem.

Sound broadcasting lobby proves a point on a bus

By Paul Godden

THE European Broadcasting Union (EBU), Eurovision's parent organisation, has demonstrated that high quality sound can be broadcast by satellite.

During tours around Geneva, in Switzerland, bus passengers heard stereo sound of compact disc quality, without the occasional fading usually associated with stereo reception in a moving vehicle.

The demonstration was part of a campaign by some of the EBU's member countries for frequency allocation for a satellite sound broadcasting system. Their efforts were aimed at delegates attending the International Telecommunication Union's World Administrative Radio Conference.

The joint developers of the system, CCETT (Centre Commun d' Etudes de Télédiffusion et Télécommunications) of France and West Germany's IRT (Institut fur Rundfunktechnik) simulated satellite sound broadcasting under what they said were adverse conditions.

First, reception in a moving vehicle in an urban environment is notoriously difficult. Second, instead of using a satellite, the demonstration was via a transmitter on a nearby mountain, giving an elevation angle of some three degrees as opposed to the 15 degrees or more which would be experienced with a real satellite.

The system is digital and uses two techniques, coded orthogonal frequency division multiplex (COFDM) and masking adapted sub-band coding and multiplexing (MASCAM). This combination overcomes the problem of echoes caused by signals travelling by different paths and reduces the amount of information that must be transmitted.

The COFDM coding and decoding allows multi-path echoes to contribute to reception instead of impairing it. This efficient use of the radio spectrum means that the satellite can have a low-power transmitter.

MASCAM coding is based on the psycho-acoustic properties of the human auditory system. Tests have shown that people are, generally, unable to tell the difference between a MASCAM coded/decoded signal and a live studio signal.

Compared with current compact disc players, which transfer data at a rate of 700,000 bits per second, the MASCAM signal is about 130,000 bits per second — this would allow a compact disc to have six hours' playing time instead of one hour. The proposed system would give each country a total of 16 CD quality radio channels (with a total bandwidth allocation of 84 MHz).

The CCETT is also working on a high-definition television system with total "surround sound", with seven to 10 audio channels to give a feeling of being at sports events and the like.

The specialists at the ITU conference have recommended that a decision be taken on such a service at a future conference, as the present one has no mandate in this area.

Mobile graphics studio helps keep company productions up to date

By Paul Abrahams

A UK VIDEO company has introduced a mobile graphics studio which can be linked to in-house production facilities.

The studio, owned by the Norwich-based Travelling Matte Company, can create graphics for title sequences, animated and stationary graphs and captions for the presentation of company results.

Robert Harris, founder of the company, says that nearly 50 per cent of the UK's top 100 companies have in-house video production facilities. But they are unwilling to invest the amounts needed for the latest graphics equipment.

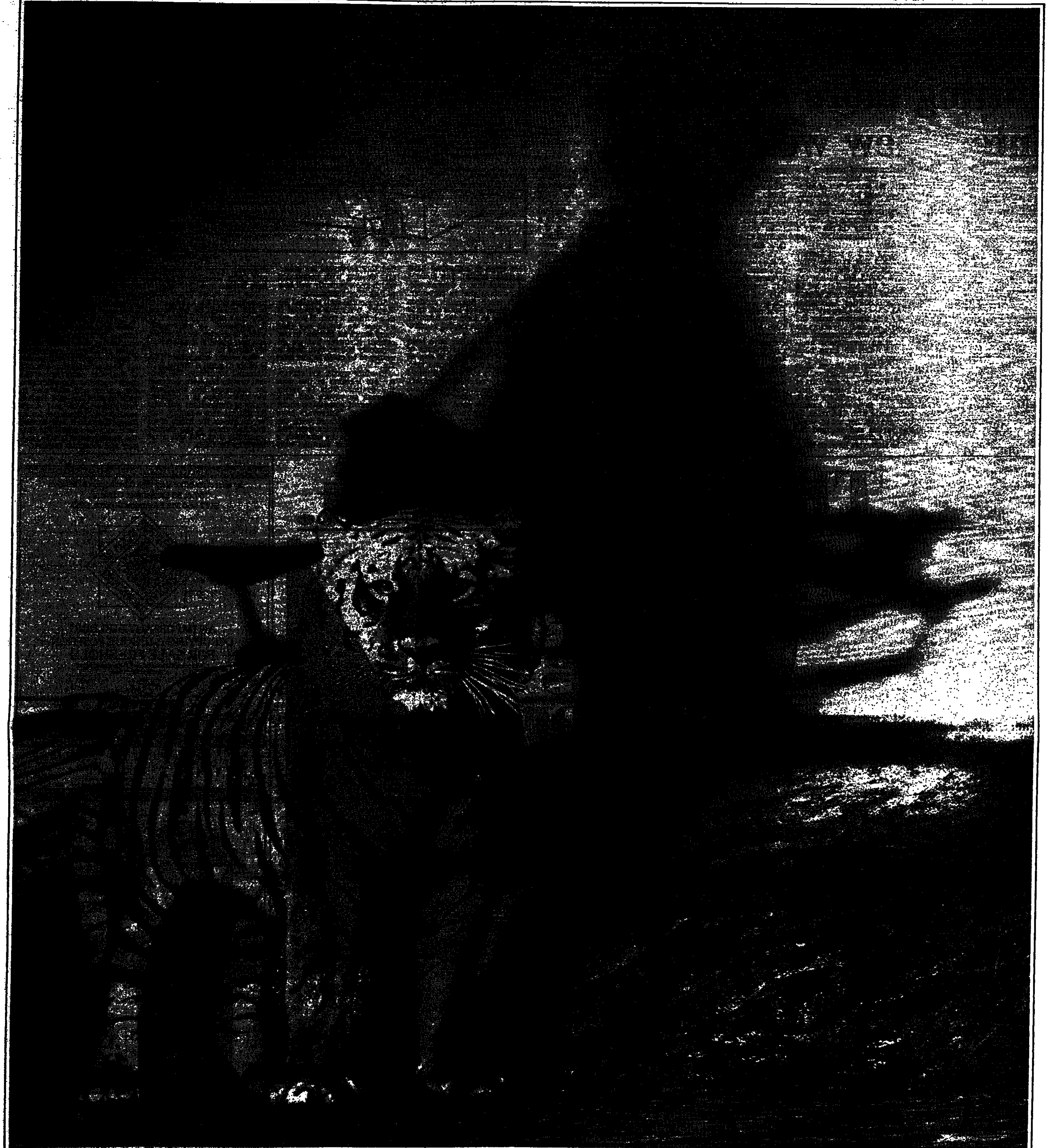
"The trouble is that analysts watching results videos now expect high quality graphics, similar to those they have seen on television," says Harris. "But the technology to produce that quality of output is changing so fast that companies need to invest about £100,000 every two years. The mobile studio provides the necessary facilities at a fraction of the cost," he says.

The Mercedes van used to house the studio contains a Spaceward Matisse graphics computer system, a rostrum camera and a Sony video printer. The van can also be used as a video studio. The equipment can output to video, slides or a printer.

Diane Wright, audio-visual controller at Norwich Union, the UK insurance company, says: "Our videos show the company's financial results and can be quite complicated. They also need to be updated on a regular basis.

"Rather than going to post-production companies in London or Milton Keynes, we can do the alterations in our own building."

The Travelling Matte Company has increased its annual turnover from £8,000 three years ago to £800,000.



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A MEMBER OF THE EXXON GROUP

Paul Cheeseright looks at how chartered surveyors are reacting to the regulations of the Financial Services Act

Fitting more comfortably into a new world

The big London chartered surveyors are being forced to come to terms with a new world – the web of financial regulation which controls investment business under the Financial Services Act.

The trouble is that investment, as surveyors traditionally understood it, is not the same as investment understood by the Financial Services Act. Property investment as such is not covered by the Act, but property investment linked with other investment, is.

So a lengthy series of discussions is in train to try and fit the surveyors more comfortably into a system of regulation which was not formulated with them in mind.

Two things happened to bring about this state of affairs. The first was the passage of the Act itself and the framework of regulatory bodies that it spawned – the whole designed to regulate the conduct of investment business, like securities dealing and financial advice.

The second was the change in techniques of property financing – the larger role of the banks, the elaboration of funding packages for development, the likely establishment of a market in securitised property and the acceptance by surveyors that, if they did not play a part in it, then somebody else would.

Playing such a part inevitably meant that at some point the activities of chartered surveyors would fall within the scope of the Act. This led 24 practices to seek membership of The Securities Association (TSA), one of the five self-regulatory organisations under the Securities and Investments Board, the key instrument for regulating investment business. So far, 19 have been accepted.

The 24 are the largest chartered surveying practices, but it was not clear at the start of this year what parts of their business fell into TSA's ambit, nor how they would handle compliance with TSA rules. So they got together, set up working parties and engaged the TSA in a dialogue.

The surveyors have an informal committee, based on representatives from Chesterton, Debenham Tewson and Chinnocks, Richard Ellis, Jones Lang Wootton, Hillier Parker and Weatherall Green & Smith, which has been engaged in talks with TSA. Now, five months after the Act came into force the position is clearer.

This starts with the nature of the business covered by TSA regulation. Buying and selling property does not come into it, but managing money for clients and advising on the merits of property as an investment relative to other forms of investment does. The whole field of activity in unitised property is covered, as is any activity beyond property valuation related to mergers and acquisitions. Arranging loans on land and buildings does not come into TSA regulation, but advice on bonds and instruments to manage interest rates is covered.

All of this represents a small but developing section of surveyors' business, which can only be carried out legally by those authorised by TSA. So the surveyors have been setting up separate financial services companies to handle it. What they have not done is to seek authorisation for their whole practice. The financial service companies, authorised by the TSA, are housed in a separate location from the other sections of the business.

"Our key compliance problem is ensuring that that work which should be done by the financial services company is not done by the major body of the kirk," said David Piggott, of Chesterton, who has been playing a leading role in the talks surveyors have had with TSA.

So compliance manuals are springing into existence. There tend to be two. The first covers everybody in a practice. That at Jones Lang Wootton, not dissimilar from those in other practices, sets a code of conduct for matters as diverse as keeping clients' information confidential to conflicts of interests. The second is for the financial services company and is modelled on TSA rules for the conduct of business.

But there is a financial angle to all of this. TSA demands that those it authorises have adequate capital. The amount of capital that is deemed adequate is related to turnover. One reason financial services companies have been set up is precisely to keep the turnover down and the capital requirement low.

Surveyors so far have been making capital provisions of about £15,000. But if any of them decided to become market makers in the new unitised property market (*see right*), then the provisions would have to be much higher.

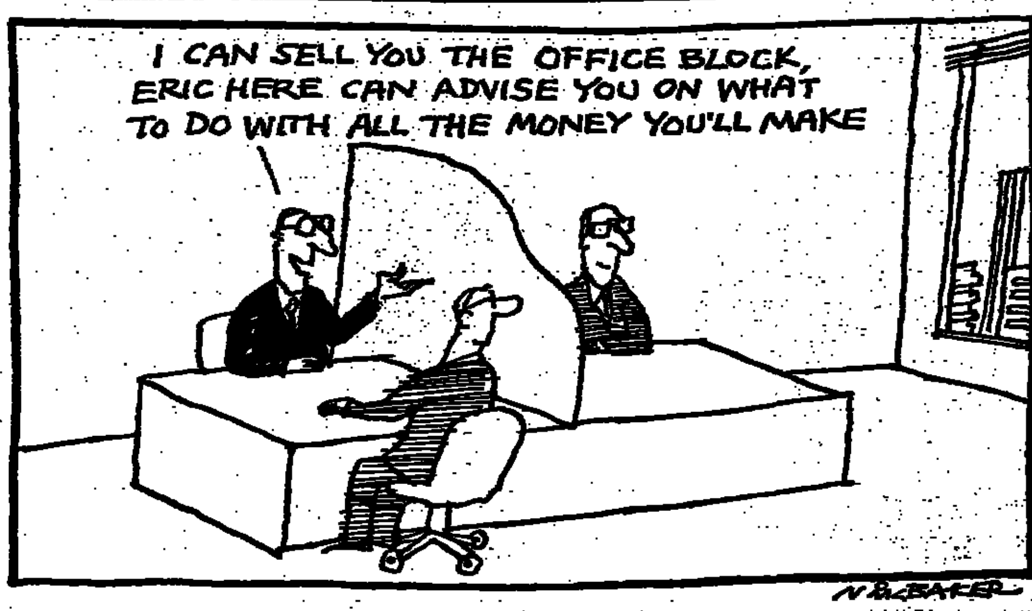
So far, so good. There has been no enthusiasm among surveyors for the mechanics of the new regulations, although the principle of investor protection is not queried beyond the fact that surveyors are generally dealing with companies which know perfectly well how to look after themselves.

Six months ago, recalled Mr Piggott, "everyone regarded it as a burden, a pain. If you ask us now we would say that there is not an increase in our overall turnover but we do genuinely believe that there is money to be made in this market."

In other words, the surveyors are learning to live with the system. This is partly because surveyors and TSA have learnt something about each other. "Surveyors have been fairly pleased with the level of co-operation from TSA and we hope to establish a *modus vivendi* between very different types of business," said Colin Vaughan of Debenham Tewson and Chinnocks.

The TSA, evidently prepared to accept that its model letter is not suitable for surveyors, now has a new draft in front of it, prepared by surveyors, which is shorter, less complex and user-friendly. It will probably accept its use.

The second area where TSA is likely to grant a waiver is in financial reporting. The general system has been designed for businesses like stockbroking where there is a constant series of transactions and calls for returns once a month. Surveyors are on the fringe of all this and there is the distinct possibility that TSA will adapt the rules for them.



How the rules will work

Later this month the Department of Trade and Industry regulations covering investment in single asset property vehicles – the unitised property market – will be laid before Parliament. By November there will be no reason why the new market should not start.

This is of key importance to surveyors and not only because it will add a new element to property financing. Any advice they give on single asset property schemes, any market making they do, any research into the vehicles themselves, any advice on flotation of the issues, any action they take as a trustee or an intermediary for the schemes will fall into the pattern of regulation set up in the wake of the Financial Services Act.

The first issues of property income certificates, giving an entitlement to a share in the rental income and running of a single property, will probably be launched before the end of the year. Even under the most optimistic predictions, the market will take time to gain momentum and launch prospects have not been enhanced by false hopes for its inception raised and dashed for nearly two years. But it is the meeting point for the property and securities markets.

MANAGEMENT

INSIDE EDGE

Corporate structure

Why FI is contracting to expand

Hilary Cropper explains to **Michael Skapinker** her approach to re-focusing her systems house without damaging a key strength - its culture

Last year Hilary Cropper's company, the FI Group, received one of the business world's most coveted accolades. It became a case study at the Harvard Business School.

Cropper, the UK computer software company's chief executive, flew to Boston to watch the case being taught for the first time. With her was Stephanie (Steve) Shirley, who founded the company in 1962 and staffed it with programmers working mostly from home.

The two have a high regard for one another. Shirley headhunted Cropper from ICL, the British computer company, in 1985. Cropper became chief executive last year when Shirley stepped down as managing director. Shirley still sits on FI's board, but now devotes more of her time to community work.

"Steve is a great entrepreneur, a huge strength for this company and will always be its conscience," Cropper says. But, she adds, Shirley was "well aware that she didn't have the skills to take the company to the next stage of development. She very deliberately sought out someone like me with my work record."

That record included senior management experience at ICL. Cropper also set up ICL's own network of home workers, which was itself inspired by the success of FI.

Cropper believes, however, that all the publicity about FI's overwhelmingly female, home-based network might have given people the wrong impression about what the company does.

"Our image in the past has been of a cottage industry. When you have people working from home, you kind of attract that image and it sticks to you. But we are a very serious professional systems house," she says. FI, which has its head office in Berkhamsted, Hertfordshire, employs over 1,000 people, all working at least 25 hours a week. Its client list includes the National Westminster Bank, Avis, Tesco and Sun Alliance. Turnover rose 43 per cent to £15.5m last year, while operating profits increased from £438,000 to just over £1m.

As well as trying to update its image, FI has changed its name. It used to be called F International, but this year's sale of the company's only remaining non-UK business, in the Netherlands, made the 'international' part of the title inappropriate. The group pulled out of the United States in 1985 and sold its Danish business in 1986.

Cropper intends to concentrate on the company's home market before venturing abroad again. The problem with FI's international expansion in the past, is that "it was done on the basis of trying to spread the culture, without thinking through how to enter markets which had become mature.

"What's clear is that we are in an industry that's changing. Systems houses are becoming international and becoming the possessions of large organisations. If we want to survive in that storm of activity we've got to concentrate on our own market."

She says that the company has to look for business and serve its customers in a more organised and systematic manner. In the past, Cropper says, groups of FI staff in different parts of the country tended to see themselves as small, autonomous companies.

Most of FI's people joined the company because they had young children. As well as being attracted by the flexible hours the company offered, they did not want to travel too far to visit customers. "What they were tending to say is that because we're local, we've got to find business locally," Cropper says.

The company found, however, that customers were increasingly asking FI to take on larger projects, designed to provide more comprehensive solutions to their information technology problems. Although that presented a threat to FI's localised approach of doing business, it also, Cropper says, presented the company with an opportunity.

In the past, programmers worked either at home or at the client's premises. "But as the clients give you bigger pieces of work, they don't want you on the premises. They've got no room for you. So the work doesn't have to be on your doorstep."

FI can now undertake to do work for a client based in one part of the UK, and set up a team to carry out the work in another. At the moment, for example, the company is doing some work for Access, the credit card company. But instead of looking for FI programmers who live close to the Access headquarters in Southend, part of the work is being done in Berkhamsted. "Suddenly you can really take work to the people rather than taking people to the work," Cropper says.

To assist the process of taking the work to her staff, Cropper intends to increase the number of FI offices around the country from eight to 20. At present, a typical FI programmer spends 40 per cent of her time working at home and 60 per cent in an office, usually that of the client. Eventually, she hopes most of the work away from home will be done in the FI office closest to where the programmer lives.

To help the company land more work, FI set up a national sales force in 1986. Cropper will not say how large the sales force is – "I think our competitors would like to know" – but its members work from their homes and local FI offices, communicating by electronic mail.

She admits that not all these changes have been easy to institute. "I would say this is a company with a very strong culture. There's a very high degree of individual commitment to the job and to the other people in the company. There's an eagerness to work and, to some extent, a perfectionism.

"On the other hand, there's a downside. There's a reluctance to change. To some extent you get the old culture trying to hold you back.

"In a technical sense, FI people change all the time and are very thirsty for learning. But I think there's a sort of fear that some of the things they value in the culture may come under threat, that if the company is to survive in the long term by being aggressive in the market and growing very fast, that that will swamp the company."

Cropper does not see the company's culture as being under threat. She believes the working methods it has pioneered will become increasingly important as the number of British school-leavers falls and the country begins to experience a shortage of personnel. Other companies will also have to look to mothers at home and retired people to fulfil their staffing requirements.

To emulate FI, she argues, those companies will have to rid themselves of their belief that the only way to control people is by insisting they come into the office every day. In many areas of work, it is possible to judge people by the quality of their output, rather than by the number of hours they put in. "You really are managing by results," she says. "Whether someone is there from nine to five, and whether or not you can see them, doesn't affect how productive they are."

Hilary Cropper: a more systematic approach

Pump-priming 'ruinous' management systems

Nick Garnett reports on Weir Group's shake-up of the engineering subsidiary it bought from Mather and Platt

It is a little more than a year now since the Scottish-based Weir Group bought the large pump manufacturing arm of Mather and Platt, a once great name in the annals of British engineering.

A strategic acquisition, it consolidated Weir's base in the UK, removing the threat of a takeover of Mather's pump activities by a foreign competitor. It also took out the competition posed by a rapacious price discounter which had habitually upset UK pump pricing.

The importance of the deal, though, was not just about the market. It also involved a clash of management cultures.

Mather's straggling 55-acre site in Manchester, half of it covered, had been owned for the previous ten years by Wormald International, the troubled Australian industrial group. Wormald had little knowledge of the pump business. As a manufacturer of fire protection equipment, it was more interested in Mather's fire protection interests (which are still owned by Wormald). For years it was rumoured that Wormald wanted to sell Mather's pump operations. A year earlier, Mather's managers had actually offered £18m for it. Wormald ended up offloading it for £10m.

Weir, on the other hand, an aggressive but rather dour company in the pleasant Glasgow suburb of Cathcart, is a pump maker through and through. It has other strings to its bow but as Europe's third biggest manufacturer of pumps after KSB of West Germany and the Swiss company, Sulzer, its health still depends overwhelmingly on the pump market.

Since the purchase, Ron Garrick, Weir's managing director has been very critical of what his managers found in Manchester, a site which they initially thought of shutting. That was a hardly surprising possibility. Former Mather managers say the dingy and rather down-at-heel factory was costing £400,000 a year just to keep the fabric of the building intact. The shopfloor productivity system was "ruinous", says Garrick.

Lack of cost controls was endemic and there was an absence of communication between departments that left everyone blind to what colleagues were doing. Garrick is also scathing about the level of investment at Manchester.

Wormald accepts many of these criticisms. Most of the senior managers running the Australian group during the Mather ownership have been ousted in two recent management upheavals in Sydney.

But a spokesman for Wormald in the UK said the group did not understand the pump business which it left in the hands of local management. Wormald did not have the management controls to cope with the operation and that is why it sold the business.

He refutes a Weir allegation that Wormald never put anything into Mather. It spent a considerable sum on metals technology and on the foundry, for example, and Weir accepts that one of the rewards of the purchase was Mather's special steel technology.

The decline of Mather was a sad affair because in the past it has been a tremendous training ground for managers in the pump business. Former Mather managers include the present heads of UK operations for pump companies Sulzer and Worthington Simpson, the managing director of SPP Pumps and the president of Dresser Pacific Pumps in Los Angeles.

At the takeover, though, Mather was a declining force. Many in the industry believe Weir will eventually shut the Manchester operation. This Weir denies and is pressing ahead with the completion of its rationalisation plan.

Since the purchase, Weir has cut the workforce from 1,000 to 800, moved production of some pumps to Glasgow and transferred much of Mather's engineering research capability to Weir's Scottish development facility at Alloa. Distribution and servicing networks are being merged.

Much of the focus of attention, though, has been on improving the performance of Mather's manufacturing plant. Weir says that it found deliveries of pumps from Manchester were on average more than 20 weeks late, with some of the bigger units up to a year behind schedule. Only a half of output was delivered on time.

An audit following acquisition revealed that Mather often took between 50 per cent and 100 per cent more man hours to complete a pump than Weir's Glasgow plant.

One reason for this, says Weir, was gross slackness in time measurements used on the shopfloor. Time allowances for completing individual machining jobs were 25 per cent more generous than at Glasgow.

Garrick says there were no proper controls on the timing of a job through the plant, on monitoring progress of a project or on costing. "We have put in cost control procedures and these are reviewed every month for every project through its life. It is terribly mundane and boring but it works a treat."

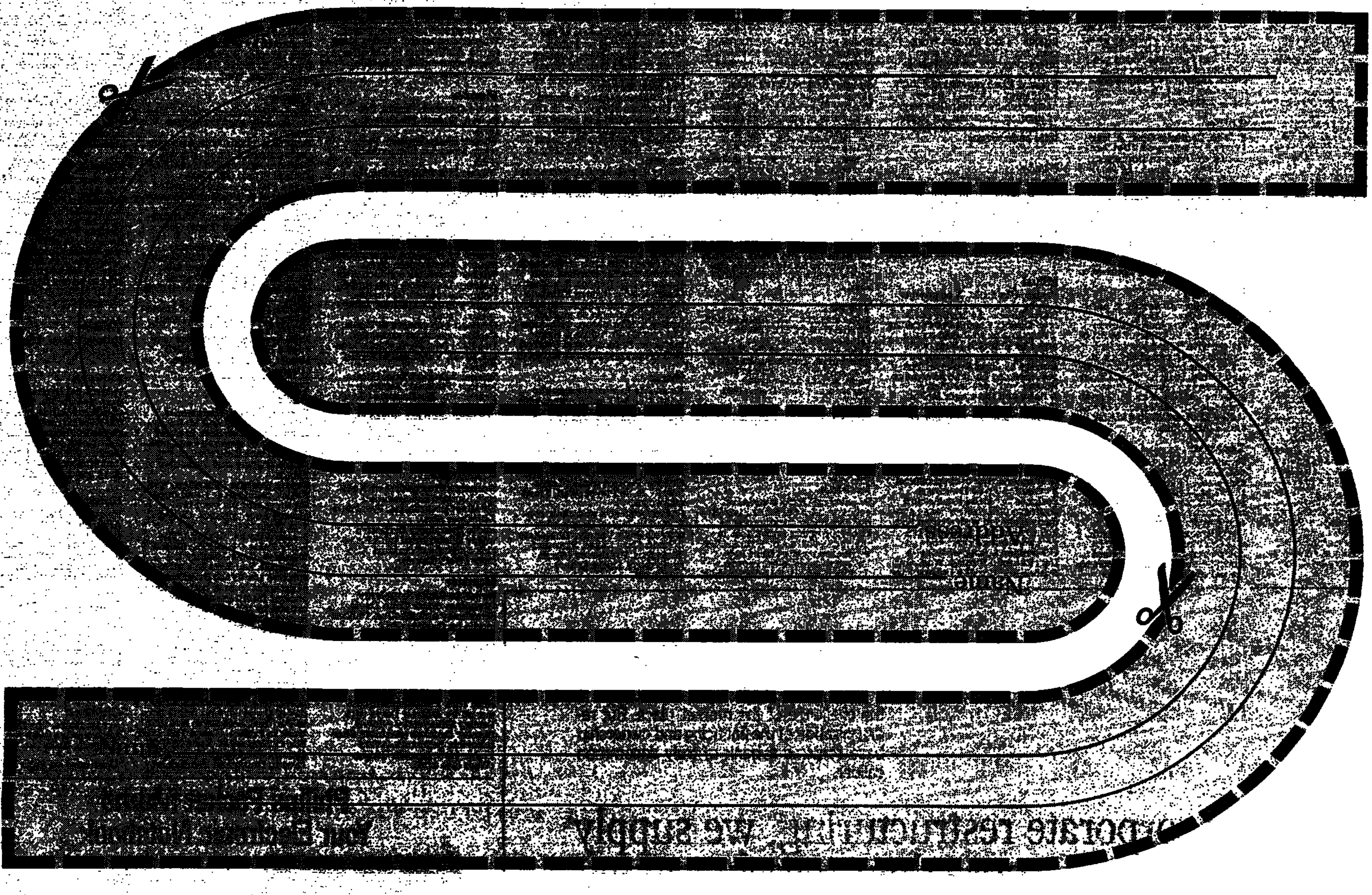
Weir says the bonus payment system was a shambles and damaged productivity. Some changes to the system have been introduced and others are being discussed with shop stewards.

"A lot of the people at Manchester are really first rate. I think they just needed a lead," says Garrick.

One key to this has been the old chestnut of getting people to talk to each other. "We've used the mob meeting approach that we use up here in Glasgow," says Garrick. "Once a week representatives from each department meet together on the big contracts. It's only common sense getting communication going across divisions but Mather did not have that."

The benefits from reorganisation so far are dramatic, according to Weir. Average lateness in completing orders has dropped to less than one week. Just over 90 per cent of products are delivered on time, still below the 95 per cent achieved in Glasgow. Weir says that by the autumn it should soon be able to produce the same item at both sites for the same cost and in the same time.

The Manchester facility still has several acres of unused covered space. Weir says it has no plans to shut it. But it is anxious to find new manufacturing activities to house there.



Arts Week

F	S	Su	M	Tu	W	Th
7	8	9	10	11	12	13

OPERA AND BALLET

London

Royal Opera, Covent Garden. The new production of Wagner's Rheingold is by Yury Lyubimov, conducted by Bernard Haitink, with James Morris, Kenneth Riegel, Ekkehard Wlaschiha, and Helga Dernesch. Further performances of Turandot, with Gwyneth Jones in powerful form in the title role.
English National Opera, Coliseum. Three of the ENO's less successful recent productions make up the week's schedule, all of them relieved by strong casting: the new Pountney staging of La Traviata, with Helen Field as Violetta; Pountney's rubbish-dump setting of Carmen, with Jean Rigby in the title role; and Jonathan Miller's Barber of Seville, comprehensively overhauled, with Della Jones's sovereign Rosina.

Paris

Opéra. *Rigoletto conducted by Alain Lombard/Alain Guingal returns to the Palais Garnier* after 18 years' absence, with Neil Shicoff/Taro Ichihara, Alain Fondary/Manuguerra and Alida Ferrarini/Christine Barbaux. It alternates with Julius Caesar conducted by Jean-Claude Malgoire, a specialist in baroque music. Nicholas Hytner presents a production of remarkable beauty spiced by flashes of irony. The title role issung by Graham Pushee, Cleopatra by Felicity Lott (bookings 47425371, information in 3 languages 47425750).
Palais des Sports. Alvin Ailey and the American Dance Theatre present the *Suite Afro-Caraïbes* for bird with love and revelations. Until Oct 16 (Bookings 48284090; information 48284048).
Théâtre des Champs Elysées. Ballet National de Marseille with Roland Petit: Inspiration Prevert, Cocteau, Kochno. Music by Kosma, J.S. Bach and Sauguet, decors by Brassai and Picasso, Wakhevitch and Christian Berard (47203637).

Vienna

State Opera. In repertory: Lucia di Lammermoor conducted by Rico Saccani, with Luciana Serra, Paola Coni. Il Trovatore conducted by Pinchas Steinberg, with Gabriele Lechner, Stefania Toczyzka, Giuliano Ciannella. Boris Goudunov conducted by Mark Emler, with Ludmila Schemtschuk, Rohangiz Yachmi, Noriko Sasaki, Heinz Zednik. Maria Stuarda by Donizetti, conducted by Ion Marin with Agnes Baltsa, Maria Zampieri, Anna Gonda. Simon Boccanegra conducted by Claudio Abbado with Gabriele Lechner, Anna Gonda, Giuseppe Taddei.
Ballet: Grosse Fuge von Beethoven/Liebeslieder Walzer by Brahms. (51444. ext. 2660)
Volksoper. In repertory: My Fair Lady. Ein Walzertraum by Oscar Strauss conducted by Rudolf Bibl. Cosi fan Tutte conducted by Konrad Leitner. Der Freischütz. Mignon by Thomas conducted by Ernst Maerzendorfer (51444 Ext 2662).

Berlin

Fidelio, Deutsche Oper. A Jean-Pierre Ponnelle production conducted by Heinrich Hollreiser. Aus einem Totenhaus by Janacek is revived with Helga Wisniewska, William Dooley, Peter Maus and Hermin Esser. Zar und Zimmermann features Gudrun Sieber, Andres Schmidt and Uwe Peper. Los Alamos, specially composed for the Berlin Opera by Marc Neikrug, has cast led by Angela Denning, William Dooley and Wolfgang Trautwein.

Hamburg

Der Barbier von Sevilla, Staatsoper. Stars Janice Hall, Yoko Kawahara, Alejandro Ramirez and J. Patrick Raftery. Die Zauberflote with Hellen Kwon, brilliant as the Queen of the night. La Boheme brings together Cristina Rubin, Patricia Wise, Urgan Malmberg and Harald Stamm. Ariadne auf Naxos has fine interpretations by Hildegard Hartwig, Celina Lindsley, Dieter Weller and Klaus Konig.

Cologne

Turandot, Opera. Olivia Stapp outstanding in the title role, the cast also includes Hubert Mohler, Dieter Schweikart, Janice Hall and Juan Lloveras. Ein Sommernachtstraum is steered to triumph by Paul Esswood and Darla Brooks, brilliant as leads. Das Gauklermarchen, the first opera composition by Gerhard Konzelmann has received controversial reviews, when it premiered. Faust with Josef Protschka in the title role and Ulrich Hielscher (Mephistopheles), Ashley Putnam (Margarete). Die Italienerin in Algier rounds off the week.

Bonn

Semiramide, newly produced by Pier Liugi Pizzi highlights the week with Cheryl Studer and Kathlenn Kuhlman. Eleana Cotrubas lieder recital with pianist Teodor Paraskiwesco with songs by Georges Enesco and Franz Liszt.

Frankfurt

William Forsythe's ballet, Impressing the Czar, is revived. John Cage's Europeras 1&2 takes the leads Michael Shamir, June Card, Anny Schlemm, Seppo Ruohonen and William Workman. Der Wildschutz has an interesting cast led by William Workman, Ilse Gramatzki, Ryszard Karczykowski and Julie Kaufmann. Fidelio is steered to triumph by Reiner Goldberg, brilliant as Florestan. Le Nozze di Figaro is a well-done repertoire performance.

Rome

Teatro Olimpico, Piazza Gentile da Fabriano. The ISO Dance Theatre of New York, an acrobatic dance company formedin 1986 by four members of the Momix group: the name ISOstands for "I'm so optimistic" (Wed, Thurs) (3601752 or 3962635).

Milan

Teatro Alla Scala. A co-production by the Ballet National de Marseille and the Berlin Deutsche Oper of Roland Petit's Ballet L'Angelo Azzuro, based on the novel by Heinrich Mann, with music by Marius Constant and scenery by Josef Svoboda. The cast includes Luciano Savignano, Roland Petit, Jeanne-Pierre Aviotte and the singer Molva (now well known outside Italy for her dramatic performance of songs by Kurt Weill) (80.91.26).

Turin

Teatro Regio. Last two operas of Wagner's ring cycle produced by Gianfranco de Bosio and designed by Attila Kovacs and Santuzza Cali. Zoltan Pesko conducts Siegfried with Ortrun Wenkel, Graham Clark, Gerd Brenneis and Heinz Ecker, and Götterdämmerung with Stella Doz, Reinhild Runkel, Wolfgang Schöne and Camilla Ueberschaer.

Florence

Teatro Communale. Verdi's Simon *Boccanegra opens season; a faithful reproduction of the version* given at the Scala in 1881 under the close supervision of the composer, produced by Virginio Puecher and designed by Raffaele del Savio. Giorgio Zancanaro sings the title role, with Maria Chiara and Sandra Pacetti alternating in the part of Amelia. Conductor is Myung-Whun Chung (Tues, Thur) (2779236).

New York

New York City Opera, State Theater, Lincoln Center. The week features Jay Reise's Rasputin, which was commissioned by the company, and is conducted by Christopher Keene and directed by Frank Corsaro, with John Cheek in the title role. The week also includes the new production of Rigoletto, conducted by Elio Boncompagni and devised and directed by Tito Capobianco, along with the revival of Douglas Moore's The Ballad of Baby Doe with Faith Esham, Joyce Castle and Timothy Nolen conducted by Hal France. (496 0600).
Metropolitan Opera, Opera House; Lincoln Center. The season opens with a repertory including Julius Caesar, Il Trovatore, Das Rheingold and Lucia di Lammermore. (362 6000).

Chicago

Lyric Opera, Civic Opera House. Donato Renzetti conducts Miriam Gauci as Lisa and Frank Lopardo as Elvino in Sandro Sequi's production of La Sonnambula. (332 2244).

Tokyo

Bolshoi Ballet, Koseinenkin Hall. Golden Gala (Wed), Giselle (Thurs) (235 1661).
Yoko Morishita and the Matsuyama Ballet, Tokyo Bunka Kaikan. Balanchine evening: Serenade, Apollo, Theme and Variations. (Wed, Thurs) (366 9999).
Butoh. Hideshima Minoru, Shinjuku Vie Plan. Solo performance by a leading exponent of Japan's avant-garde dance form. (Wed, Thurs) (359 9650).

MUSIC

London

Beethoven Plus is a series of concerts between September 18 and December 10 which seeks to set the composer's music in the context of his own time. The work of more than 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (928 3191).
The Philharmonia conducted by Giuseppe Sinopoli, with John Wallace (trumpet). Elgar, Maxwell Davies, Mahler. Royal Festival Hall (Sun) (928 3191; cc 928 8800).
London Symphony Orchestra with Vladimir Spivakov (conductor/soloist). Alexander Barantschik (violin), Douglas Cummings (cello), Roy Carter (oboe), Martin Gatt (bassoon). Bach, Haydn. Barbican Hall (Sun) (638 8891).
BBC Symphony Orchestra conducted by Lothar Zagrosek, with Roland Hermann (baritone), Brigitte Fassbaender (mezzo-soprano) and the BBC Singers. Brahms, Schönberg. Royal Festival Hall (Mon) (928 3191; cc 928 8800).
Orchestra and Chorus of the World conducted by Janusz. Bach's B Minor Mass. Concert in aid of Great Ormond Street Hospital. Royal Albert Hall (Mon) (589 8212; 589 9465).
The Philharmonia conducted by Giuseppe Sinopoli, with Gil Shaham (violin) and ladies of the Philharmonia Chorus. Debussy, Mendelssohn. Royal Festival Hall (Tue) (928 3191; cc 928 8800).
Berlin Symphony Orchestra conducted by Claus Peter Flor, with Cécile Ousset (piano). Prokofiev, Saint-Saens, Dvorak. Barbican Hall (Tue) (638 8891).
London Mozart Players conducted by Jane Glover, with Kun Woo Paik (piano). Mozart, Beethoven, Haydn. Royal Festival Hall (Wed) (928 3191; cc 928 8800).
Dietrich Fischer-Dieskau with Hartmut Höll (piano). Schubert: *Goethe Lieder*. Queen Elizabeth Hall (Wed) (928 3191; cc 928 8800).
The Philharmonia conducted by Roger Norrington, with John Lill (piano). Stravinsky, Rachmaninov, Berlioz. Royal Festival Hall (Thur) (928 3191; cc 928 8800).

Paris

Ensemble Intercontemporain conducted by Kent Nagano, with Anna Steiger (soprano). Nono; Stockhausen, Zimmermann, Varese. Théâtre Renaud-Barrault (Mon) (42560880).
Orchestre de Paris conducted by Witold Lutoslawski, with Krystian Zimerman (piano) and Etienne Peclard (cello). Lutoslawski. Salle Pleyel (Wed, Thur) (45630796).
Opéra Orchestra and choir conducted by Daniel Barenboim, with soloists Julia Varady, Trudeliese Schmidt, Gary Lakes, Sigmund Nimsgern. Beethoven (Ninth symphony). Opéra (Thur) (47425371).
Donna Brown (soprano), Francis Dudziak (baritone), Jean-Bernard Dartigolles (piano). Liszt, Gounod, Saint-Saens, Chausson, Franck. Musée d'Orsay, Salle de Fêtes (Thur) (40494814).

Milan

Trio di Trieste. Brahms, Schubert. Teatro alla Scala (Tues) (80.91.26).

Rome

Württembergisches Chamber Orchestra conducted by Jörg Faerber, with Anne Sophie Mutter. Haydn, Bach, Mozart, Respighi. Teatro Olimpico (Thurs) (3962635). Norbert Balatsch conducts Bruckner's Ecce Sacerdos and his Mass No. 2 in E minor, with Anna Pusar (soprano), Anne Gjevang (mezzo-soprano), James Wagner (tenor) and Philipp Kang (bass). Auditorium in Via della Conciliazione (Sat, Sun, Mon, Tues) (6541044).

Vienna

Küchl Quartett. Haydn, Beethoven, Mozart. Musikverein (Fri).
Wiener Sängerknaben. Palestrina, Moderne. Konzerthaus (Fri).
Wiener Mozart Orchester (in historical costume). Schönbrunn (Fri, Wed).
Wiener Philharmoniker conducted by Claudio Abbado. Beethoven. Konzerthaus (Sat, Sun).
Concentus Musicus and the Arnold Schoenberg Choir conducted by Nikolaus Harnoncourt. Mozart. Musikverein (Sun).
Wiener Ensemble conducted by Antonio Lopezzi, with Rafael Orozco (piano). Beethoven, Gattermeyer, Ginastera. Musikverein (Mon).
Orchestra da camera di Santa Cecilia, conductor and soloist, Uto Ughi (violin). Rossini, Mozart, Rossi, Viotti. Musikverein (Tues).
Wiener Schubert Trio. Shostakovitch, Pirchner, Zemlinsky, Beethoven. Musikverein (Tues).
Wiener Symphoniker and Wiener Sängerknaben conducted by Manfred Honeck, with Ernst Kovacic (violin). Berg, Dvorak. Konzerthaus (Wed, Thurs).

Frankfurt

Hermann Prey recital with pianist Leonard Hokanson all Schubert programme. Frankfurt Alte Oper (Sat).
Radio Symphony Orchestra under Eliahu Inbal with Friedrich Smetana. Frankfurt Alte Oper (Wed, Thurs).

Munich

Bavarian Radio Symphony Orchestra under Colin Davis. Stravinsky and Sibelius. Philharmonie im Gasteig (Fri).

New York

Boston Symphony. Seiji Ozawa conducting, Stanislav Bunin piano. Brahms, Beethoven. Carnegie Hall (247 7800).
New York Philharmonic conducted by Andrew Davis with Dmitry Sitkovetsky (violin), Stanley Drucker (clarinet). Shostakovich, Bernstein. Avery Fisher Hall, Lincoln Center. (Wed) (362 8719).
On Original Instruments with Anner Bylsma (cello), Stanley Ritchie (violin), Malcolm Bilson (fortepiano). Schubert, Beethoven. Merkin Hall (Wed) (362 8719).

Washington

National Symphony conducted by Gunther Herbig. Haydn, Schubert, Schoenberg. Kennedy Center Concert Hall. (Thur) (254 3776).

Chicago

Chicago Symphony conducted by Sir Georg Solti with Walfrid Kujala (flute). Schubert, Schuller, Beethoven. Orchestra Hall. (Thur). (435 8122).

Berlin

Berlin Philharmonic Orchestra conducted by Erich Leinsdorf with Ottomar Borwitzky (cello). Dvorak, E. Bloch. Berlin Philharmonie (Tues, Wed).

Tokyo

Alexis Weissenberg (piano). Chopin. Suntory *Hall.* (Mon) (289 9999).
Josef Suk (violin) with Masahiro Saito (piano). Dvorak, Handel, Brahms, Janacek, Smetana. Casals Hall (Tues) (291 2525).
Japan Philharmonic Orchestra conducted by Vladimir Ghiaurov, with Mirella Freni (soprano). Puccini, Verdi, Bizet, Tchaikovsky. Suntory Hall (Tues) (505 1010).
Tokyo Symphony Orchestra. Second Anniversary Gala concert with Mirella Freni, Josef Suk, Dan Tal Song, Roger Wagner Chorale. Suntory Hall (Wed) (505 1010).
Classical Japanese Music. Momochi Kai (koto). ABC Hall (Wed) (467 3653).
NHK Symphony Orchestra conducted by Herbert Blomstedt. Mozart. NHK Hall, Shibuya (Thurs) (465 1780).

EXHIBITIONS

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, *Musée d'Orsay and Versailles* Palace.
Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. Closed Tue. Ends Oct 17.
Musée d'Orsay. Cézanne, The Early Years (1859-1872). Closed Mondays. Ends January 1.
Artcurial. Zao Wou-Ki's retrospective traces the development of an artist formed both by the ancient traditions of Chinese art and by the works of the Impressionists and of Cézanne, Matisse and Picasso. 9 Ave Matignon. Ends Nov 10.
Musée de Cluny. Medieval art in Paris. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes.
Grand Palais. Vieira da Silva. Paris celebrates the 80th birthday of the artist who, while born in Portugal, decided to live and work in France. Closed Tue, Wed late closing night. Ends Nov 21.
Galerie d'Art Saint-Honoré. Still lives in Dutch and Flemish art in the 17th century. 267, Rue Saint-Honore. Closed Sat, Sun and lunchtimes. Ends Nov 18.

Martigny

The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs. Ends Nov 6.

Berlin

Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980's. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Bremen

Georg Baselitz, The Motif. Forty pictures by the German expressionist, born in 1938, from his most recent period. Kunsthalle Am Wall 207. Ends Oct 30.

Schleswig

Schleswig Holstein Landesmuseum. 1,000 years of Russian Art. This exhibition takes as its theme the new alliance between church and state. Ends Oct 24.

Vienna

The Austrian National Library. The Arab world in Europe. A marvellous collection of letters and other literary items. Ends October 16.
Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.
Albertina. Exhibition of drawings by Alfred Hrdlicka, considered to be one of Austria's most controversial artists. Ends November 30.

Venice

Palazzo Grassi. The Phoenicians. Until Nov 6.

Ferrara

Palazzo dei Diamanti. Treasures from the Ghetto. The nucleus of this exhibition comes from the Hebrew museum and synagogue in Prague and many of the objects on show were requisitioned by Hitler for his unrealised *Museum of an Extinct Race.* Until January 15.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring the concept of physical beauty *into* sacred art. Until Dec 8.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki. Ends Jan 8.

Chicago

Art Institute. The first major retrospective in 30 years of Paul *Gauguin. Ends* Dec 11.

Continued on Page 17

ARTS

Sergey Leiferkus

WIGMORE HALL

The Russian baritone gave his first London recital on Wednesday. The usual supplies of superlatives may well run out during this notice, for Mr Leiferkus is both an outstandingly fine singer and — not necessarily the same thing — a complete expert in the voice-and-piano medium. Expectations for the concert were pitched high, and were answered in every detail. There seems to be a love affair going on between the British public and this particular singer — and if the clamorous response elicited on Wednesday is anything to go by, from now on it can only get even warmer.

He is a formidably equipped singer. The voice is of great beauty, a compact high baritone of classical Russian lineage and definition, with a startlingly wide range of colour and dynamics. To this is added a platform presence of protean vitality and chameleon flexibility, the storytelling gifts of a seasoned raconteur, and intelligence in abundance. The assurance was that of mastery — one soon relaxed in the knowledge that nothing was likely to misfire or malfunction, and that the vocal means and the artistry were each other's absolute equal: rare experience!

Since in the various British or Irish opera houses Mr Leiferkus has shown his ability to sing in English, French, Italian and German, one might have expected a programme of multinational character, but there were no regrets that he chose to sing entirely in his native language. The first half was made up of arias, the second of songs, a reversal of tradition that proved entirely convincing. The characters and the lyrical identities of Borodin's Igor, Chaikovsky's Tomsky, Rakhmaninov's Aleko, and others from Rimsky-Korsakov and Rubinstein operas were shaped and polished with the barest means.

Some of the music badly lacked its orchestra (and this in spite of superbly creative piano-playing all evening by Graham Johnson), yet Mr Leiferkus was able to suggest in his performances not only the full range of the vocal line, but the dramatic purpose of the original accompaniment as well. He has a bass register of wonderful firmness for a high baritone; the sable melancholy of Aleko's Cavatina, which one associates with a Shalyapin, Christoff, or Ghiaurov, was therefore as natural to him as the high tessitura of the Epithalamium from Rubinstein's *Nero* (why only two verses?).

After the interval, the closer focus of the Mussorgsky, Rakhmaninov, and Chaikovsky songs, including the four *Songs and Dances of Death*, brought marvels of a finer, subtler kind of interpretation. If one had thought that this singer's ideal occupation was pouring out heroic cantilena, the smooth-spun, dark-timbred gentleness of the Rakhmaninov and Chaikovsky encores must have broadened that perception — and there was the mercurial comedy of Mussorgsky's "Seminarist" and the patter-tongue Glinka encore to reckon with as well. More, please, and soon!

Max Loppert

The Barber of Seville

COLISEUM

Latecomers to this English National Opera revival, watching it on the house TV in the Dutch Bar, will be seized by puzzlement. *That* man, scowling under his fright-wig, must be Doctor Bartolo; but then who is this portly Old Batrachian, rouged and smirking over his multiple chins? Baron Ochs, surely — perhaps Jonathan Miller has thickened the *plot*? Well, no: actually it's the dashing young Count Almaviva himself, in the person of Jeffrey Talbot. And Dr. Miller probably has nothing to do with it, since his 1987 production has been "revived" this time by David Ritch.

Hardened opera fans can take a six-foot-six Mime in their stride, or a black Marschallin or even a Pavarotti Rodolfo; but to match this piece of demented miscasting one has to go back to Verdi's first, ruinous Traviata, a famously fat soprano who appeared to be dying from the wrong kind of consumption. The sole ground must be that the Talbot tenor has some cultivated interest, being modelled faithfully upon voices heard nowadays only on cylinders or very old 78s. Indeed, when the head is turned away his timbre evokes a venerable gramophone (and in the Coliseum it hardly carries in *piano* or in low register); but toward the top it boasts a clean, metallic ring, and his articulation aspires credibly to high style.

For the ENO, however, vocalisation is not supposed to be its own excuse. Rossini's "commedia"-oriented *Barber* prescribes a lot of lively comic action; Talbot plays up like a campy old trouper (for all I know, he may be just a very mature 28), and the result is so macabre as to throw the opera utterly out of kilter. In fact none of the physical goings-on here has an assured comic focus, nor was any compensating excitement generated from the pit. The conductor Stephen Barlow turned many details prettily, but Rossinian brio is plainly not his forte: besides a tame overture and a tame storm we had tame *crescendi* throughout, and the surefire Act 1 finale was still plodding when it ended.

Richard Van Allan's "Calumnia" number was similarly hobbled, but his Don Basilio remains a ripe creation. There is a determinedly appealing Figaro from the Australian Peter Coleman-Wright (soft-grained, and a touch too winsome), a stentorian, grumpily funny Bartolo from Rodney Macann and creditable support by Hilary Western (as Berta), Christopher Booth-Jones and Findlay Wilson. Nothing would tame Della Jones' sensational Rosina, who is no ingenue but a mature Welsh tigress: with her seething poise, sizzling technique and sexy truculence, she is indomitable, and she very nearly rescues the evening.

David Murray

Jack Palance as an ex-Hollywood set painter in "Bagdad Cafe" with his portrait of Marianne Saagebracht

CINEMA

Picaresque life on the road

Midnight Run and *Bagdad Cafe* are both road movies in thin disguise. A road movie is a wondrously paradoxical thing, its chief characteristic being that it need not keep to the road at all. Deviation and digression are its lifeblood. All we need is the odd glimpse of shimmering highway, the odd sniff of dusty tarmac, and then we are happy just with the sense of someone struggling from A to B across vast landscapes, by multiple means of locomotion, and against nigh-impossible odds. The first "road movie," after all, was Homer's "Odyssey:" no roads featured at all, just the wine-dark, hero-defying highways of the sea.

Midnight Run is a chase thriller which gleefully devours the polymorphous vistas of America, from Chicago high-rises to Arizona hick-towns, Las Vegas casinos to Red Indian shanty settlements. The human dots on this landscape are Robert De Niro, ex-Chicago cop turned down-at-heel bounty hunter for a Los Angeles bail-bond company, and his captive Charles Grodin, ex-Mafia accountant turned bail-jumping fraud defendant. Grodin stole $15m from the Mob (giving most of it to charity), then fled to New York on the eve of his trial. Now De Niro must find him and lug him back to L.A. Any and all transport methods available — plane, train, bus, car — may be used. And he must also fight off two rival Grodin-seeking parties hot on the duo's heels: the FBI (Yaphet Kotto) and a fellow bounty-hunter with a grudge (John Ashton).

Forget the plot. It is the pretext for a picaresque comedy of character (script by George Gallo, direction by Martin Brest of *Beverly Hills Cop*), for a trip through the eye-ravishing splendours of American scenery (photography by Donald Thorin) and for De Niro and Grodin to flex bionic acting muscles.

Grodin's self-styled "white-collar" criminal is a delight: playing finicky faddist one moment — lecturing De Niro on smoking, or complaining in one breath of claustrophobia, agoraphobia and aviophobia (fear of planes) — and D-I-Y Houdini the next. De Niro, when not recapturing his slippery quarry, storms, frets, wisecracks, threatens, sulks or lapses into kindergarten quarrels. ("You lied first." "No, you lied first"). This is a classic De Niro performance: all ironic alertness in the bird-like cockings of the head, the headlong rhythms of his Little Italy voice. (The *appoggiatura* is as natural to him as to Puccini). It's a joy to see an actor whose recent acting has had a languid, ringside air about it (*The Mission, Angel Heart*) leaping into the fray again with insights and idiosyncrasies whirring.

If *Midnight Run* is a road-movie of the serpentine kind — all tail-chasing plot twists and dust-raising double-crosses — Percy Adlon's *Bagdad Cafe* is that connoisseur special, a road movie which stays in one place. Scene: a tumbledown cafe-motel in the Mojave desert. Characters: the spiky-haired, irascible black lady who runs it (C.C. Pounder), her weird retinue of friends and helpers (including Jack Palance as an ex-Hollywood set-painter turned amateur artist), and our even weirder tourist heroine (*Sugarbaby's* outsize Marianne Saagebracht) who waddles in off the road one day, pitches suitcase and becomes the establishment's resident Spirit of Teutonic Eccentricity.

Deaf to the world she has left behind, including the husband she ditched on the road after a quarrel, this Mother Earth from Bavaria sings, performs conjuring tricks, cleans up the place and poses for Jack Palance. While she simpers and strikes goddess poses, Mr P, breathing sonorously and sporting a buccaneer-style puffed-sleeve silk shirt, comes on like Douglas Fairbanks with asthma: a matinee idol grappling with the evening performance of old age. Around this pair swirl the film's other toothsome curios, including Miss Pounder, who talks loudly and carries a big shotgun (but has a heart of gold), and her Bach-playing son who thoughtfully ties his baby up before setting to practice. (Parents, do not try this at home.)

MIDNIGHT RUN
George Gallo, Martin Brest

BAGDAD CAFE
Percy Adlon

AU REVOIR LES ENFANTS
Louis Malle

THIRD LESBIAN AND GAY FILM FESTIVAL

As befits a one-set road movie — the travelling is all "off-screen," the cafe-motel a catchment area for life's drifters coming to convalesce from wanderlust — the plot is seldom still. The characters keep slipping through our fingers (like Grodin's through De Niro's) and the film has a serene and prankish surrealism. Making his first American movie, German writer-director Adlon, whose fascination with monomaniacs has moved from his sober-suited Proust portrait *Celeste* to the wackier realms of *Sugarbaby* and this, shows that there are few tensions as funny as that between a melting-pot society and individuals whose high-definition quirks won't melt to order.

★

Louis Malle's *Au Revoir Les Enfants* wants our hearts to melt to order. Mouchoirs out, please, for this autobiographical tale of life in a French Catholic boarding school in 1944. 12-year-old Julien Quentin (Gaspard Manesse) is our Malle alter ego, folding a solicitous wing around mysterious new boy "Bonnet" (Raphael Fejto), who turns out to be a Jewish orphan hiding out from the occupying Nazis.

The good news: Malle has returned to his native France for this movie, forsaking the alien corn of his ghastly recent Canadian-American ventures (*Crackers, Alamo Bay*). The best scenes in this darkly tender film, which won the Golden Lion at Venice last year, seem torn straight from the scrapbook of memory. We see and share the brutal and lonely moments of boarding-school life, which can make any sensitive youngster — not just one persecuted for his race — feel like an outsider. We recognize the slapstick energies of boyhood, punching against the envelope of institutional discipline. (A scripture class runs amok with hilarity and parodic mime at the story of St Simon Stylites atop his pillar). And we goggle at the arcane rituals of school life: here, stilt-walking battles in the playground, treasure-hunt games in a forest prowled by wild boars. These scenes have an oddness so defiant, a particularity so strong that you sense they must be true.

The bad news: whenever it runs out of the vivid and specific, the film opts for the generic and sentimental. Bonnet himself is chief casualty. As played by Raphael Fejto, he looks like a martyr to history from our first glimpse: passive, limp-shouldered, a shock of dark curls framing a radiant-eyed saint's face. The divine light of intelligence and sensitivity shines out from him too insistently. (Bonnet also reads works of philosophy in his spare time and plays the piano like Paderewski). In short, any fallible quirks of teenage humanity have been squeezed out of him by a film-maker determined to process a childhood memoir into holy historical writ, haloed by hindsight.

Worse is to come when the Gestapo and SS enter the movie late on. One draught of stage-Nazi accents and menacing greatcoats and we know it is all up, not just with Bonnet but with the movie's moving air of authenticity. Best to savour that while it lasts, plus the film's other minor strengths: Malle's love-hate feeling for his school expressed in photography (by Renato Berta) at once warm and dramatically *chiaroscuro*, and the superb portrait of the school's flinty-compassionate head Father Jean (Philippe Morier-Genoud).

★

In the age of Aids, Clause 28 and other clamorous disincentives to the love that dare not speak its name, the National Film Theatre determinedly mounts its "Third Lesbian and Gay Film Festival." Lasting four weeks from next Tuesday and packing in 20 programmes by 40-odd film-makers, it shows there are still some rebellious people in this world who believe in freedom of speech, freedom of artistic expression and freedom of sexual persuasion. The films — fiction and non-fiction, long, short and medium — come from lands as diverse as America, Australia, Thailand, Israel, France, Canada, West Germany and, yes, even Britain. Quality in plenty: controversy guaranteed: book now while such films can still reach our screens unscathed.

Nigel Andrews

Mrs Dot

PALACE THEATRE, WATFORD

The Watford Palace opened in 1908 and has unearthed an early Somerset Maugham farce dating from the same year to celebrate its 80th birthday. It proves an amiable piece of Edwardian frippery that Wendy Toye has staged with no concession to modern expectation.

Mrs Dot is one of four plays Maugham had presented in the West End in 1908, the year of his breakthrough as a dramatist. *Lady Frederick* is better known, but as usual Maugham made no great claims for any of them. They were constructed to suit managers' requirements and popular taste and written, as he said in the 1931 preface, to be produced rather than read.

Mrs Dot was the biggest hit of the four, thanks to Marie Tempest playing the lead, a brewer's widow who has set her sights on Gerald Halstane, a bespoke young heir to the peerage and a reasonable fortune. Mrs Dot has to divert Gerald from Nellie Sellinger and her battle-axe mother while simultaneously juggling with the polite devotions of a bachelor cynic and young Freddie, her secretarial nephew.

It is interesting to see how Maugham treats this lightweight manipulative successor to Shaw's Kitty Warren and Pinero's Paula Tanqueray, a woman with less of a past and more of a future. Coy Wildean echoes abound, too, but as Anthony Curtis noted in his invaluable study of Maugham, there are clear indications here of where Maugham would take his marital comedy of sudden passion and elopement in the subtler ambivalence of *The Circle*.

Freddie and Nellie make a dash for it after tentative and very funny approach work, and Mrs Dot triumphantly wields a poker and kitchen knife after degutting the engine and ripping the tyres of another getaway vehicle. Gerald thumbs his nose in paroxysms of laughter at his thwarted mother-in-law while the cynical Blenkinsop, played with meticulous disdain by Roland Curram, shrugs off Mrs Dot's romantic assault with the reflection that even in the grave a feminine worm would make a dead set at him.

This comic tumult is well organised by Wendy Toye on a riverside garden set by Michael Annals of escapist greenery, turreted white walls and rambling pink roses. The mood of nostalgic artificiality is enhanced by pierrot-costumed stage hands changing the scenery in marching time to wheezy old Edwardian music hall songs.

This might have proved unbearable without Janet Dale as Mrs Dot, bustling on in snug-fitting turquoise and feathered hat to organise her destiny and dispose of the opposition ("I'm more amusing, I'm better dressed, and I've got five motor cars"). She appeals because, unlike everyone else on stage, she is unmotivated by mercenary considerations, and Miss Dale, on sparkling form, exudes an unbridled appetite for farcical sport.

Even at this early point in his career, Maugham's structuring is near faultless. Miss Toye is wrong, therefore, to dispense with a second interval. Madeleine Newbury is a Bracknellish Lady Sellinger, Gordon Lovitt a schemingly twittish Freddie, and Steven Mann as Gordon a stiffly eye-popping beneficiary of his cousin's misfortune at the North West frontier in India.

Michael Coveney

Alastair Muir

Janet Dale

Moses und Aron

FESTIVAL HALL, RADIO 3

The South Bank Centre's Schoenberg celebration is upon us, and "The Reluctant Revolutionary" will thread its way through orchestral and chamber concerts until January. The series was launched most memorably on Wednesday by the BBC Symphony Orchestra, when John Pritchard conducted a concert performance of *Moses und Aron*.

The opportunity to hear everything Schoenberg preserved is an immensely valuable one, and the survey promises some fascinating events. *Moses* was not, in theory, likely to be one of them; few operas can receive more concert performances in proportion to its stagings, and few need their tendency towards oratorio encouraged less. But much of Pritchard's account created genuine theatricality — after a careful, unpromising opening scene, dramatic energy began to course through every set piece.

The electricity was generated above all by vivid orchestral playing — superb heavy brass, thrillingly precise woodwind — and full blooded choral work from the BBC Singers, which laid the secure foundation for the soloists. The long and intricate scene which closes the first act, a minefield of interlocking ensembles and solo lines, never lost its shape or direction and the tension of the second act was sustained even in the aftermath of the Dance round the Golden Calf and the closing passage, so often an anticlimax, had a genuine feeling of dramatic sufficiency.

Heading the cast were Gunther Reich and Philip Langridge, arguably the finest contemporary interpreters of the title roles. No one handles the "inarticulate" *Sprechgesang* given to Moses with greater comprehension, or squeezes from it more expressiveness than Reich, while after recording the opera with Solti and appearing in last year's Salzburg production Langridge now has the full measure of Aron, able to complement suave cunning with sensual appeal. All the lesser roles were vividly taken, with Gregory Reinhart's Priest, Penelope Walmsley-Clark's Girl and Neill Archer's Young Man in the first act models of uncomplicated directness.

Andrew Clements

ARTS GUIDE

October 7-13

Continued from Page 16

Tokyo

Tokyo National Museum. Japanese Archaeology: History and Achievements. More than 300 exhibits tracing the history of archaeology in Japan. Begins October 4. Closed Mondays.

Hara Museum of Contemporary Art. Shinagawa. Oil paintings by Tomie Ohtake, now regarded as one of Latin America's liveliest abstract artists. Closed Mondays.

National Museum of Modern Art. Genealogy of Realism. Oil paintings from the Meiji Era (1868-1912). Closed Mondays.

THEATRE

London

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support (836 6404, credit cards 379 6233).

The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).

Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).

The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, CC 379 6233).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted expose of the film industry (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15 (254 3770).

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3670).

Driving Miss Daisy. Julie Harris stars in the Pulitzer Prize winning play about the black chauffeur and his elderly, understanding mistress as the South undergoes vast changes that cannot help affecting them. Eisenhower, ends Nov 12, (254 3670).

Tokyo

Kabuki (Kabuki-za) Performances at 11am and 4.30pm. The morning programme includes Moritsuna Jinya, a play set in an age of civil strife — a popular actor's vehicle, since the role of Moritsuna is considered one of the finest in kabuki. In the afternoon: Kagamiyama Gonichino Iwafuji. This play is based on a scandal that occurred in court shortly before it was written but, in typical kabuki fashion, transposes it to a remoter age. It is noted for its spectacle — scattered bones rising up to form a complete skeleton and a beautiful mansion transformed into a haunted house. Excellent programme and earphone commentary in English. Tickets also available for a single act. For details, enquire at the theatre (541 3131).

Aoyama Theatre. The 35 Steps. Musical revue by the Shiki Theatre Company. Extracts from major Shiki productions, from West Side Story to Phantom of the Opera (0120-489444).

SALEROOM

Russian links renewed

Christie's was peeved when Sotheby's snatched the initiative and held the first ever auction of contemporary Soviet art in Moscow in July. It raised £2m and was judged a success, except by the artists who did not get the hard currency they were promised for their pictures.

The chagrin of Christie's was built around the fact that it had always had strong Russian links. In 1778 founder James Christie negotiated the sale of Horace Walpole's pictures to Catherine the Great, and in 1967 the Soviet Government disposed of a massive 1,742 piece banqueting service through the saleroom for £65,750.

Yesterday Christie's reasserted itself and held a massive Russian sale of almost six hundred lots, ranging from 18th century Imperial furniture to post-Revolutionary propaganda. The morning session totalled £652,779 with 16 per cent unsold. There was considerable interest in the propaganda porcelain of the 1920's when blank Imperial factory plates were decorated with revolutionary designs.

A dish painted in 1921 by Aleksandra Schekotikhina-Pototskaya, showing a bellringer backed with the slogan "Long live the 8th Congress of the Soviets" sold for £20,900 as against a top estimate of £6,000. Surprisingly the most important plate, a dish inscribed "Autographs of Activists of the Great Russian October Revolution" was unsold at £7,000. It carries 17 names, headed by Lenin, at least five of whom were purged by Stalin.

A pair of silver mounted nephrite two light candelabra by Fabergé, made around 1890, were well above target at £37,400 while a trophy shaped silver samovar on a stand made in 1845 for a lady in waiting at the court of Nicholas I, trebled its estimate at £15,400. The main casualty in the morning session was an early 19th century needlework carpet, 146 inches by 122 inches, with floral scenes, which was unsold at £20,000.

In the afternoon Malevich's rare lithographic book "Suprematism, 34 Risunka", produced in 1920 with 34 drawings, was inside its estimate at £60,500, and eleven zincographs by El Lissitzky, based ion the Tale of the Goat, almost doubled their estimate at £30,800.

A diamond hair ornament made by Cartier in London in 1930 sold for £38,000 at Sotheby's. Hair ornaments by Cartier are very rare. Sotheby's coin sale topped £1.1m, a record for a mixed owner collection at this auction room, with around 10 per cent unsold.

Antony Thorncroft

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Friday October 7 1988

Waiting for Sir Godfray

THE independent investigation into the UK Government's handling of the Barlow Clowes affair – which for individual savers has been the worst financial scandal to hit the UK in years – should at last be published in the near future. The appointment of Sir Godfray Le Quesne to look into what had happened took the political heat off both the Department of Trade and Industry and the Government when the magnitude of the potential losses became clear in June, and ministers have been able to use the inquiry as a shield ever since. Unfortunately, though, the probability is that the appearance of Sir Godfray's report will not even mark the end of the beginning of this grim story.

There are several reasons for this gloomy view. One is that the detailed terms of reference for the investigation are narrow in scope. The inquiry is limited to events which took place after the beginning of 1983, which means that revealing episodes in the company's early history will be omitted, and it has been strictly confined to the role of the DTI. The investigation was made on a non-statutory basis; civil servants were not required to give their evidence under oath, and were not granted immunity from further disciplinary action. The list of interviewees has apparently been kept short.

Excuses for inaction

In the circumstances, it would be surprising if Sir Godfray's report turns out to be much more than a dry account of a limited sequence of events, without strong conclusions. In a strict sense, it may be argued that the real problems did not come within the purview of the British regulatory authorities at all, since most of the money that has been lost was invested offshore.

There are other excuses for inaction. A rapid turnover in Secretaries of State and junior ministers means that no one in the Department now can be held ultimately responsible for authorising Barlow Clowes. And the weaknesses in investor protection legislation which allowed so many private individuals to put their money unknowingly into what turned out to be dubious business ventures have already been addressed in the Financial Services Act. The new regime sets higher standards for entry into the investment business, provides for continuing supervision of the way firms behave, and poses much stricter limits on offshore fund managers. The firm could not have operated in the way that it did under the present system.

Complacent approach

But Lord Young, the present Secretary of State, cannot expect to get away with such a complacent approach to the problem. Several questions stand out among the many that he will have to answer. To what extent can responsibility for the offshore fund, from which clients are likely to lose as much as 40 or 50 per cent of their money, be imposed on the Government because of the way that it gave its blessing to the onshore business? Could the Department have stopped the offshore fund being marketed in the UK? It had no direct powers of control, but would surely have intervened if it had known that the money was being diverted into a string of risky ventures. How far should it have relied on the competence of independent auditors – and how far in turn should those auditors be held responsible for what happened? Who should be held to account for the low standards of the investment intermediaries who channeled so much of their clients' money into so dodgy an enterprise without asking more questions?

Even if the Department turns out to have been guilty of gross negligence for licensing the onshore fund, it would be liable for only a small amount of compensation – and there would be no case for any kind of *ex gratia* payment. A messy period of litigation seems inevitable. One possible course of action might be for the Government to make an interim payment to the victims, many of whom are pensioners, and then seek to recover any shortfall through the courts. In any event, Lord Young would be doing the victims and the general public a service if he made it as clear as possible where he believes the responsibility for this affair lies.

Burden-sharing in Nato

THE DEBATE about the sharing of their common defence burden between the US and the European members of Nato, which has intensified with the approach of the American presidential election, is as old as the Atlantic Alliance itself. The urgent need to find a solution in 1988 has more to do with the domestic economic situation in the US than with the actual contributions made by Washington and its European allies to Nato.

The large US budget deficit will almost certainly require President Reagan's successor to trim defence spending, particularly given the concern that Congress has always shown about the burden-sharing problem. Mr William Taft, the US Deputy Defence Secretary, once again underlined that concern to his partners at Nato headquarters in Brussels on Wednesday and will be doing so again during a European tour over the next week.

Vital negotiations

Though, in the past, similar American warnings have tended to be ignored, the European allies as a group appear to be taking Washington more seriously this time and are fully associated with a study on burden-sharing due to be submitted to Nato Ministers by the end of the year. There is a common realisation that, on the eve of vital negotiations with the Warsaw Pact on conventional arms cuts, the unity of the Alliance must be preserved. Indeed, even the threat of a unilateral withdrawal of US troops from Europe before an agreement is reached with Moscow and its allies on mutual conventional reductions, would seriously weaken Nato's negotiating position.

That said, there is no reason, either, why the US – and Congress, in particular – should be allowed to distort the debate in the way it has done. Mr Taft, once again, appears to have put most of the emphasis on the proportion of GDP devoted by member countries to defence. He has pointed out, rightly, that the US spends 6.6 per cent of its GDP on defence, about three times as much as Italy, Denmark and Canada, and has proposed that all member countries should allot at least 3 per cent of GDP. However, as many defence experts on both sides of the Atlantic have pointed out, Nato "inputs" and "outputs" cannot be judged according to GDP criteria alone.

When the measure is the number of trained troops and their equipment, the European contribution to the common defence effort is impressive.

Heavy costs

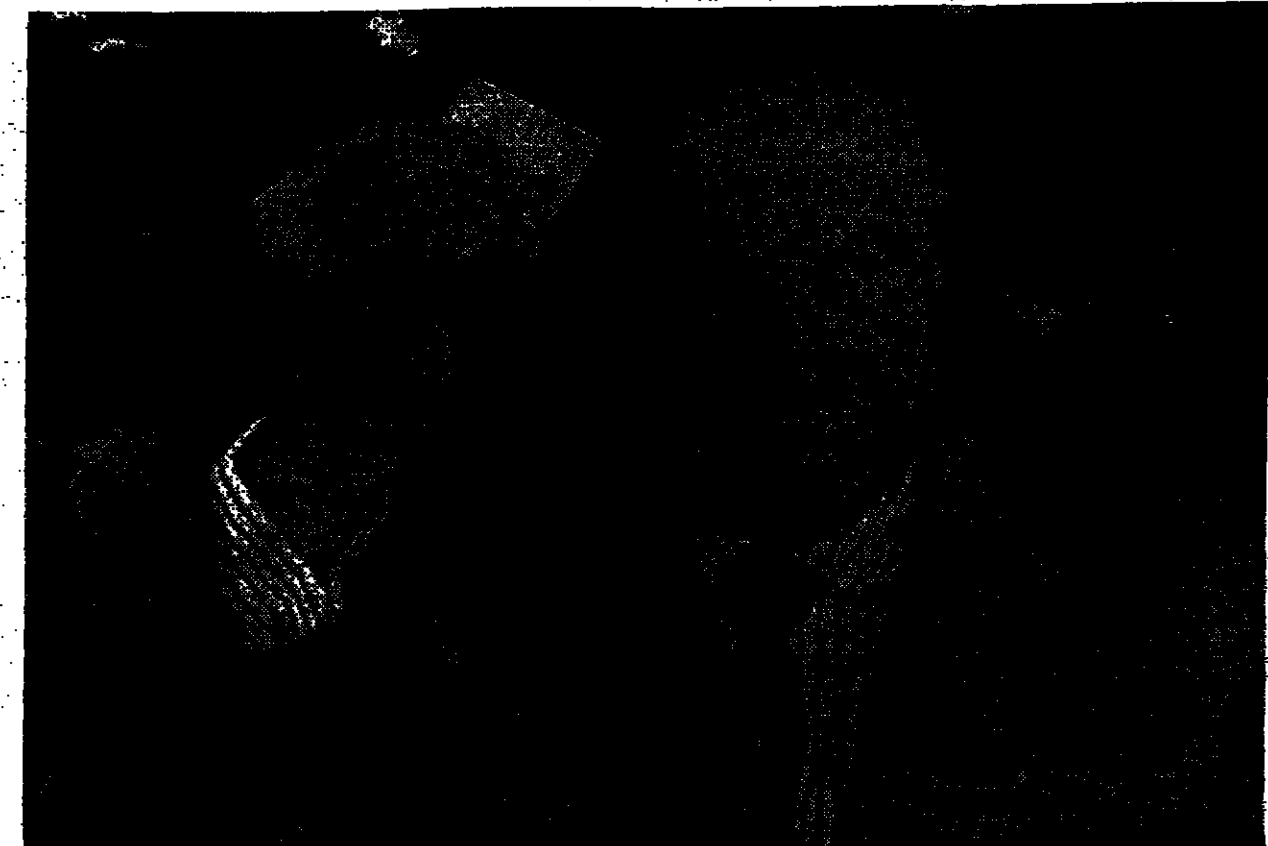
The fact is that 90 per cent of Nato's manpower, 85 per cent of its tanks, 95 per cent of its artillery and 80 per cent of the combat aircraft at present stationed in Europe are provided by the European members of the alliance. In peace time, the Europeans have some 1.5m under arms and the US 2.2m, of which only some 330,000 are based in Europe. After one month of hostilities, 7m men could be mobilised by the European forces, compared with only about 3.5m by the US. A country like West Germany, which acts as host to thousands of military exercises and hundreds of thousands of aircraft sorties every year, bears more than its fair share of "hidden" costs, while Britain and France have shouldered the heavy cost of developing and modernising their own nuclear forces.

Nor can anyone be in any doubt that the US is in Europe not only to defend the Europeans. Though its commercial and financial interests are turning Washington's attention increasingly towards Japan, China and other parts of East Asia, the defence of Europe is still likely to rank as a primary US interest for the foreseeable future.

For all these reasons, the debate about burden-sharing must not be allowed to degenerate into squabbles about numbers. A transatlantic slanging match and controversial actions like the European Commission's plan to impose tariffs on military imports from outside the Community can only jeopardise the attainment of what remains the common goal: ensuring the security of the West.

Robert Graham considers what will follow General Pinochet's defeat in Chile

Recovering a lost democracy


General Pinochet: casting his vote in the plebiscite

Dictators are not in the habit of being voted out of office. The defeat of General Augusto Pinochet in Chile's presidential plebiscite thus creates a remarkable, and probably unique, precedent. With the regime opening itself to international scrutiny, Gen Pinochet could not have committed political suicide in a more public manner.

The rules of the plebiscite may have been set by the military junta; but the vote process was clean and the result cannot be easily challenged. This means Chile, where political activity was frozen by the coup which overthrew the populist government of the late Salvador Allende in 1973, has now begun a complex and delicate transition from dictatorship to democracy, belatedly following its South American neighbours Argentina, Brazil, Bolivia and Uruguay.

The process will be extremely hard to stop. Indeed, the principal issue now is the speed at which the transition takes places. This will depend upon the military's willingness to make concessions, the strength and unity of a fissiparous opposition movement and the fate of Gen Pinochet himself. Although international pressure on the Pinochet regime has proved relatively ineffectual to date, the new circumstances suggest that this too could be an important factor favouring a more rapid transition.

A period of political uncertainty is therefore in prospect. Nevertheless, Chile today is not in a radical mood. A majority of the 12.7m population is enjoying the very real benefits of five years of sustained economic growth. Few Chileans wish to put the clock back to the chaos and uncertainty of the Allende era. Gen Pinochet dangled in front of the electorate the spectre of such chaos if the vote were to go against him. His defeat indicates that Chileans believe they are mature enough to secure a stable transition.

The size of the opposition's victory – on latest counts gaining 54 per cent of the vote – should act to cool the wilder anti-Pinochet elements. A substantial defeat by more than 65 per cent would have encouraged the left to make demands that might have alarmed the military and destabilised the country. As it is, the margin is sufficient to be convincing yet narrow enough to engender a sense of national reconciliation, although Gen Pinochet has refused so far to countenance any form of compromise with his opponents.

The vote was fundamentally against the person and style of the 73 year-old general. The month-long plebiscite campaign exposed him as ageing, vituperative and an improbable figure to lead one of the most

Political activity, which has been frozen since 1973, has now begun a complex and delicate transition from dictatorship to democracy

sophisticated societies in Latin America virtually through to the end of the century. Even some of his closest aides were exasperated by his poor performance, the crude nature of the regime's propaganda and above all his determination against much considered advice from within the military and the business community – the two pillars of his support – not to let a consensus candidate stand.

A consensus candidate, even though a *pinochetista*, would have stood an infinitely better chance of winning. It was enormously risky for the general, who had never courted popularity, to expose himself to a popular vote. The right in Chile has never mustered 50 per cent of the vote. Indeed, it could be said that, even allowing for the regime using all the apparatus of the state to secure victory, it was an achievement to obtain such a high percentage of the vote after 15 years in power.

Gen Pinochet has only himself to blame for losing. It ranks as one of the classic examples of a Latin American dictator being blinded by the arrogance of power. He believed his own propaganda and trusted the complacent findings of the regime's dubious opinion polls. A striking feature of the campaign was the consistent discrepancy between the pro-Pinochet polls and those of the opposition, which both gave good margins in their respective favour. Someone had to be wrong and it seems the large number who showed up in the polls as undecided had all along decided to vote against Gen Pinochet.

The opposition parties are committed to shortening the 18 month period in which Gen Pinochet is constitutionally entitled to remain as president. In September, the 16 parties opposing him stated in a common platform: "We want a rapid and orderly transition to democracy on the basis of a broad national consensus which embraces all the political, institutional and special forces in the country and that respects each and everyone's legitimate interests."

The military on the other hand, which has formidable powers under the 1980 constitution, wishes to follow the legalistic path. In theory Gen Pinochet is permitted to remain in the presidency until March 1990, calling parliamentary and presidential elections in December next year. Thereafter the military will continue under the constitution to retain an effective power of veto, especially over vital legislation such as reform of the constitution.

Sticking to the letter of the constitution has to be balanced against the uncomfortable reality that Chile is now saddled with a lame-duck administration; and furthermore that the constitution was designed in the belief that a régime candidate would win.

The defeat of Gen Pinochet, however, immediately removes both his mantle of authority and undermines his claims to legitimacy, creating a power vacuum. At the same time, many influential Pinochet supporters in the military and business communities are unlikely to forgive his failure, and will be seeking to preserve as best they can their own interests. These may not necessarily coincide with those of Gen Pinochet himself. Although supreme commander of the armed forces, he is likely to become increasingly a hostage to a more collegiate decision-making process within the military.

One of the regime's supporters closely connected with the military commented before the vote: "If Pinochet loses, the military will put the survival of the military establishment and the preservation of unity above the fate of an individual."

This unity is bound to come under pressure over how to deal with the opposition. A small hard-core within the army is believed to support an interventionist approach, resorting to the reintroduction of emergency powers in an attempt to prolong the *status quo ante* the plebiscite.

But this element is a minority and the opposition so far has demonstrated that it will do the maximum to avoid providing an excuse for intervention. In this respect, the restrained reaction to the plebiscite result on the streets of Santiago indicates that the political parties have a measure of control over their supporters and that people in general are aware of the dangers of a break down in law and order justifying military intervention.

The army, although the most powerful service arm and the one from which Gen Pinochet enjoys the most unqualified support, has its political antennae. Officers know that negotiations have to begin with the civilians, no matter how distasteful they may be. One of their main concerns is to ensure the politicians do not insist on a series of human rights trials for abuses committed under Gen Pinochet. The para-military *carabinieros* and the navy for their part are more anxious to withdraw from direct involvement in politics and running the country.

The opposition's political platform, which must now become the benchmark for their future conduct, fully recognises the role of the military. "The transition must take place on the basis of agreement with the Armed Forces and the Security Forces . . . to avoid an institutional and legal vacuum." Only with their consent can there be a peaceful negotiation of the constitutional issues.

The constitutional issues cannot be ducked for long since the law governing political parties is highly restrictive, excluding the communist party in particular. The Communist Party of Chile, the largest in Latin America, holds the key to the activities of the underground grouping, the Manuel Rodriguez Patriotic Front, which carried out the abortive assassination attempt on Gen Pinochet in 1986. The Front agreed to suspend its sabotage tactics, during the plebiscite campaign.

The principal difficulty facing the opposition is going to be the varied nature of the groups that have made up the campaign against Gen Pinochet. They range from disillusioned former Pinochet supporters to the centrist Christian Democrats through to elements of the Socialists on the left. The opposition has to maintain its unity in negotiating a transition with the military. Yet at the same time, the politicians have to prepare for what could be an extremely hard-fought general election for a new parliament and for the presidency.

Their record of unity has been poor, divided as much by personalities as ideologies. However, since political activity has only begun to be legalised in recent months, the opposition can scarcely be expected to be well organised. By general consent it was considered better first to fight to defeat Gen Pinochet. Though this tactic has been vindicated, it leaves a lot of questions open as to how they next proceed. They could opt to pick a 'shadow' president or retain the current leadership front of the "no" campaign.

In the final stages of the campaign, Mr Patricio Alwyn, the Christian Democrat leader, emerged as the principal opposition spokesman. The Christian Democrats are probably the largest single party and the easiest opposition partners for the military to deal with. However, the most charismatic figure to appear has been Mr Ricardo Lagos, the Socialist leader, who has been trailed as a Chilean version of Mr Felipe Gonzalez in Spain. These two men are likely to become the most influential opposition figures in the coming weeks.

The immediate concerns will be political rather than economic. Indeed, the opposition kept exceedingly quiet throughout the campaign on economic policies, realising that the structural reforms carried out under Gen Pinochet had provided Chile with the best managed economy in Latin America. It is likely that the opposition will attempt to raise minimum wages and devote more funds to social expenditures, but the nature of the market economy now in place has not been fundamentally questioned. The same applies to foreign investment. It is possible that some large strategic projects like the giant Escondida copper development will be scrutinised but opposition economists accept the need for an export-orientated economy financed by foreign investment.

Speculations about economy policy are far down the road today when Chile is grappling with the new-found

The vote itself was fundamentally against the person and style of the 73-year-old general who was exposed as an ageing, vituperative and improbable figure

idea of recovering one of the finest traditions of democracy in Latin America, surrendered when Gen Pinochet took over. Although events may move fast, it is worth remembering that recent transition periods in the region have proved long. In the case of Argentina, the military disgrace of losing the Falklands war, the catalyst for change there, occured in mid-1982 but the first elections were not held until 18 months later. The transition in Uruguay took almost two years, while in Brazil the military handed over power in 1985 and still the president has not been directly elected and a new constitution has only been approved this week.

Pleasures of the night

■ Watching American politics on television in the middle of the night is an addiction, yet I do recommend it. The live coverage carried by BBC2 of the Republican Convention or the Bush-Dukakis debate show US politics as seen by Americans. No amount of summarising or editorial comment can catch up with it.

It was the same last night with the vice presidential candidates, Senators Quayle and Bentsen. The interviewing techniques are awful, which is unusual for American television: there is very little direct exchange between the candidates. But you do at least learn what is bothering people. For example, the programme left no doubt that drugs are now almost *the* key political issue, and the growing hispanicisation of America has also become a top talking point.

Most striking of all, however, was the inability of Senator Quayle to relax. The man seemed petrified. He was asked repeatedly what he would do if he suddenly became President. The answer is surely: take stock of the circumstances of the time, talk to Congressional leaders and Senators and try to do your best. Quayle was incapable of giving it.

OBSERVER

Minorco man

■ Bank of Nova Scotia's presence in the syndicate which is helping to finance Minorco's hostile bid for Consolidated Gold Fields should not come as a complete surprise. Cedric Ritchie, the BNS chairman and the longest-serving chief executive of a Canadian bank, has been a Minorco director for nearly 10 years.

The bank, which is a top-tier gold bullion dealer, used to be a Canadian distributor for the South African Krugerrand gold coin. It is also a major presence in the flourishing gold loan market: providing mines with financing against the security of future gold output. As such, it participated earlier this year in the biggest gold loan ever arranged for a gold producer. The borrower was the New York-based Newmont Mining – owned 49.7 per cent by Consolidated Gold Fields.

Jolliffe's wash

■ You can get into difficulties if you are careless with the automatic car wash, as many readers will no doubt know. According to Sir Anthony Jolliffe, however, only one in every 16,000 car wash users ever submits an insurance claim, for an average of £45.

Jolliffe, a former Lord Mayor of London, is now chairman of Walker Greenbank, which claims to operate 80 per cent of the automatic car washes in the UK through its Wilcomatic subsidiary. They range from the humble forecourt hose at 50p a squirt to the mighty wash-wax-and-polish variety. Only about 10 per cent of the country's garage forecourts have car washes, but Jolliffe says that the percentage is growing. And so it should, coupled with an improvement in quality.

Ancient Brit

■ Beric Watson, the managing director of Waddingtons Games, the Leeds-based manufacturer of Monopoly and a host of other popular board games is used to being addressed as Derek by confused telephone callers.

He blames it on his mother for naming him after one of Bodicea's lieutenants in an obscure work of fiction called

"Don't think about the price – have another tumbler."

Beric the Briton by A G Henty. Watson, who announced this week that his company was gearing up for new acquisitions, hopes to have more luck than his namesake. "The original Beric," he says, "was singularly unsuccessful and was carried off to Rome in chains."

Real City man

■ There appear to be no collective records of people who have done 60 years in the City, but it is clearly a dwindling band. One man who has is Charles Emery who celebrates his 60th anniversary today and says that he has no intention of retiring yet. He thinks that there are perhaps five, at the most 10, others like him.

Emery joined Laing & Cruickshank in 1928 and enjoyed playing games for the Stock Exchange before the war. He represented it at football, tennis and running. Once he did the London to Brighton walk in 13¼ hours, though the winner, he says modestly, did it in eight. In those days, he remembers, there was at least as much Stock Exchange sport as today, but always out of hours and never on Sundays.

Now 78, Emery does private client business at Teather & Greenwood. "I'm no gambler," he explains. "I work mostly on British equities which I understand." But he does have bullish views about the future. At present the markets are marking time. There is plenty of scope for them to start moving up. That could happen between now and Christmas, he says. Then there could be two or three expansionary years before the next general election, at which time Emery may still be around advising his clients.

Spain's convert

■ Institutional Investor, the transatlantic magazine that has a fairly high reputation in the financial world, may have won a new reader. Mario Conde, the 40-year-old chairman of Banco Espanol de Credito (Banesto) – the number two bank that recently merged with number one Spanish bank, Banco Central – has discovered the publication.

At the opening of a Goya exhibition yesterday that has been partly funded by his bank's pesetas, Conde was anxiously asking a friend whether he though that the Institutional Investor was important. It was a completely serious enquiry. Told that some people regarded it as a bible, Conde heaved a sigh of relief and produced a cutting from the magazine in question which profiled him as Banker of the Year. "So this is serious", he said. "Thank goodness".

Economic clue

■ A reader who is obviously fond of crossword puzzles points out to us that an anagram of "trade deficit" is "*le* daft credit".

POLITICS TODAY: Joe Rogaly

Why Ron Todd spoils the party

To appreciate the full enormity of what has happened to Britain's Labour Party this week, you have to give Mr Ron Todd the benefit of the doubt.

As General Secretary of the Transport and General Workers Union (TGWU), Mr Todd commands great influence in the trade union world, great power in his own union and a very important degree of both power and influence in the Labour Party. There was a time when the incumbent of his present post was also a leading national figure, on a level with, or above, the Prime Minister himself. Those days are gone. Yet Mr Todd cannot help but recall them. He looks back to Jack Jones and Frank Cousins in both reverence and awe. (He would not have measured up to the top of Ernest Bevin's socks, but that is another matter.) Mr Todd is, however, too intelligent to delude himself about the present status of even the leader of the largest of the trade unions, namely himself. That status is, by comparison with his illustrious predecessors, relatively humble.

Yes I did say intelligent. This assumption about Mr Todd is the first step towards giving him the benefit of the doubt. His apparently permanent scowl, and his somewhat inarticulate diction, unfortunately hide what is by definition a brain at least agile enough to win the top post in his Byzantine union and, by reasonable supposition, a mind of fair quality.

Let us grant, further, that Mr Todd is an honest man who holds certain principles dear. The extremely angry court around Mr Neil Kinnock, whose major speech to the party conference was savaged by the TGWU leader within hours of its delivery on Tuesday, tells itself that he is motivated by personal pique. He wishes, they say, to be treated with the deference due to his predecessors. There may be some small truth in this, but we will profit more from assuming that his motives are not base.

The union that Mr Todd manages has supported unilateral nuclear disarmament for many years. It has long propounded the old Labour notions of nationalisation and socialism. Its officials think that it has done this through democratic discussion, since up to a thousand delegates meet every other year to debate policies; perhaps a further 60,000 or so active unionists are involved in the delegate selection conferences that precede the main event – a tiny fraction of the 1.25m members. But Mr Todd is paid to run an organisation. His thoughts and actions are shaped accordingly. A suspicious executive, itself divided into factions, watches him closely.

Put all this together and it makes some kind of sense for the TGWU leader to cast his union's 1.25m bought votes for Mr Kinnock's social democratic policy papers, as the right and some soft-left loyalists in his union hierarchy would wish, and then to follow that vote with a speech that reaffirms the basic socialist principles espoused by the left factions that exert so much influence on his executive. That is what he did on Tuesday. He helped the man he thought most suited to lead Labour, but he tried to show that he had not sold the pass.

The cockroach in the ointment is equally clear. Mr Todd's behaviour may be nearly rational in TGWU terms, but it has probably destroyed any slim chance Mr Kinnock may have had of scooping up the social democratic vote in Britain. For the average voter takes only a passing interest, if any, in party conferences. The fleeting impression such a voter will have gained this week will have been of a party that is still in chaos: Kinnock saying one thing, Todd another. Worse still, many people will not unreasonably draw the conclusion that a union boss is pushing the Labour Party around once again.

Slightly more interested voters will ask, what is Labour's defence policy now? The answer after yesterday afternoon's vote is that the Labour executive under Mr Kinnock supports unilateralism, bilateralism, and multilateralism and will anyway not make up its mind for a year. Meanwhile Mr Todd, for one, remains staunchly unilateralist, while the conference is - just - still thinking and voting his way. The Kinnockites will fight on for their position. No bets on the winner.

Trusting voters who peer even closer may say: "Very well we'll wait a year, but what about taxes?" They will see that the upper levels of income tax will be raised, and a wealth tax stuck on top. On the poll tax, the good news is that Labour will abolish it; the bad news is that it will put two taxes in its place – a local income tax plus a reinstated property tax. You cannot pin the blame for that on Mr Todd, but you could argue that without all the Toddery in other areas local taxation might not in itself lose the election.

It is hard to see Mr Kinnock increasing Labour's standing in the polls, or winning a string of by-elections, with such a party, plus Mr Todd, behind him. Yet it would be unfair to put much of the blame on the leader himself for what seems almost certain to be a fourth general election defeat in a row. For Mr Kinnock has made a presentable job of reconstructing Labour as a potentially serious Opposition party.

Consider what he has achieved. Labour's old anti-European bias has been replaced by a nearly-enthusiastic Europeanism. (Labour's morning prayers are now likely to start with that old hymn, Delors is my shepherd.) It is sadly true that the party remains firmly interventionist, and committed to some recapture of a state role in the privatised industries – but, more importantly, Mr Kinnock is now emphasising his belief in markets, competition, enterprise, consumerism, the value of the individual and the other principal ingredients of European social democracy.

The party itself is being rid, piece by piece, of some of its outrageously undemocratic elements. In future leadership elections constituency parties will be obliged to conduct a ballot of all their members before casting their votes. Ballots were held, voluntarily, in some constituencies in the leadership election this year. Wherever this happened, Mr Kinnock and Mr Roy Hattersley, his candidate for deputy, obliterated the left slate headed by Mr Tony Benn. No wonder the Kinnockites would like one person-one vote for selecting constituency delegates to the conference.

As the jewel in the crown of democratisation, a membership recruitment campaign, aimed at bringing in a million members, has been launched. This is designed to outflank the trade unions' block vote (a system that gives Mr Todd a fifth of the votes at the party conference). Once you have your million members, say the Kinnockites, there need be no fear of left-wing revolts from party activists, and no need to rely on the union block votes for important matters such as the re-election to the leadership of Mr Kinnock. Alas, here again we find a possibly fatal flaw. It is – first you have to catch your million members.

All other difficulties apart, Mr Paddy Ashdown and his Democrats are on a similar membership hunt. They are true social democrats unencumbered by either Mr Todd or a fairyland defence policy. As someone with five years' experience of selling by direct mail, I can assure Mr Kinnock that the task is not an easy one when a rival firm has a more attractive product on offer. It is very nearly impossible when you are racing against time and the product may have to be taken off the market if it doesn't reach a certain level of sales by a certain date.

Yet this is the situation in which the Labour leader finds himself. He has sold the need for a social-democratic approach to most of his party, in spite of Mr Todd. His unique selling point has been that without victory no policy document means anything. Follow his way, and there will be victory, says he. This will be more firmly believed, and the TGWU could yet be outflanked, if over the coming year Labour could score a marked improvement in the opinion polls, accompanied by a string of by-election and local council victories.

The reverse is also true. If Mr Kinnock does not begin to deliver at least the scent of victory, the basis upon which he has grasped control of the party and begun to refashion its policies will be seen to be false. Again, that could be unfair – it could be that Mr Todd's activities are the principal reason for the continued failure of Labour to win more electoral support. But fairness has nothing to do with the case. Mr Kinnock is sitting on one side of a see-saw, with Mr Ashdown on the other. (Dr David Owen is on his own.) If Mr Kinnock soars in spite of Mr Todd, he can reasonably hope to command a credible opposition before long. If Mr Todd drags the Labour leader down, Mr Ashdown may soar, leaving the opposition as hopelessly divided as ever. But Mr Todd can only be himself. This week's events indicate that he has little option but to attack Labour revisionism. He may be acting from the highest of motives in his own terms, but he is the instrument of heartless fate.

It is therefore wholly understandable that the mood of senior Conservatives, as they prepare for their own party conference next week, is poised somewhere between confidence and complacency. British political history suggests that whenever there is a serious split in a major party, such as between Labour's socialists and its social democrats in 1981, the fractions stay out of office for at least 20 years. That would mean Tory rule until the first year of the forthcoming millenium. Mr Todd will not have achieved that all by himself, but Conservative Central Office is no doubt thankful for his immense contribution.

LOMBARD

Let sleeping horses lie

By John Plender

Mr Norman Fowler's Department of Employment expends a great deal of effort – statistical and otherwise – in trying to reduce the number of jobless in Britain. Lord Young's rehoned Trade and Industry machine makes a deal of noise and spends a small fortune on advertisements encouraging job-creating enterprise. But when you come down to it, the most successful job creation agency in the country is arguably not in Whitehall but in Threadneedle Street. And the outfit in question spends scarcely any money on job creation at all.

Now it is, of course, open to question whether the Governor of the Bank of England, Mr Robin Leigh-Pemberton, regards himself as presiding over the country's most successful job centre. But he could put a pretty fair case if he wished to do so. Since Mrs Thatcher came to power in 1979 all the growth in employment in Britain has been confined to the services sector. Of that, nearly half took place in financial services, which saw an increase in employment of more than 40 per cent to 2.3m.

The sector is now the biggest employer outside manufacturing; and while much of that 2.3m has nothing to do with the Square Mile, there is no doubt at all that the City of London has been one of the more dynamic components. A recent estimate in a report from the Institute of Manpower Studies suggested that City jobs had been growing at eight times the national average between 1984 and 1987.

The interesting thing about the decisions that paved the way for all this job creation is that they happened years ago. One, taken by the Bank of England, was to operate an open-door policy for foreign banks wishing to do non-sterling business in London.

As an anonymous American puts it in Martin Mayer's latest book on the subject of markets, "the Bank of England doesn't care what you do in London, so long as you don't frighten the horses." The other decision was unwittingly taken by foreign governments, most notably the US, when they imposed tougher tax and regulatory regimes on their financial systems relative to the UK.

A consequence of this British policy of benign neglect towards foreign financial activity, which had its roots largely in tax evasion by footloose international investors, is that Britain now derives no less than 11 per cent of its total employment from financial services. With so many eggs in the City basket it has a great deal to lose, especially in the context of 1992. For while the chief consequence of a single market in financial services will be to do for retail finance in Europe what Big Bang did for wholesale financial business in London, it will also have wider consequences for the competitiveness of individual financial centres in the European time zone.

The price of maintaining comparative advantage in running a guest-house for foreign financiers is eternal vigilance and endless lobbying in Whitehall and Brussels. Hence the City's recent penchant for offering second homes to former diplomats, of whom Sir Michael Butler at Hambros is one of the more prominent, in pursuit of the implications of 1992. Yet they face a new, challenging problem, for the Government is no longer inclined to be benign or neglectful.

In the good (or should one say bad?) old days when mainly foreign bankers were running a gigantic but wholly obscure black market for international tax dodgers, British politicians happily turned a blind eye. Yet with so much employment now tied up in the City, they are all too anxious to help.

The results are visible in the anti-Japanese reciprocity provisions of the Financial Services Act. With a new directive threatening to give the EC a right to veto authorisation for non-European financial institutions, London's openness and thus its competitive edge are potentially under bureaucratic threat. Yet having introduced reciprocity into its own domestic legislation, Britain's ability to protect City interests in Brussels has been weakened. The Old Lady's game was great while it lasted. But with politicians at work the horses may finally bolt.

LETTERS

Politics and the concept of citizenship

From Mr Peter Ashby

Sir, Joe Rogaly ("The active citizen for all parties", October 5) is absolutely right when he says that the Conservative Party is rapidly cornering the debate about active citizenship – with massive political consequences for the run-up to the next general election.

The problem for the Labour Party is that many of its members fear debating the issue of citizens' responsibilities because they see this as somehow a right-wing concept; so they stick firmly to debating citizens' rights. Yet the challenge that Mrs Thatcher has posed is on the specific terrain of citizens' responsibilities, and it is simply not good enough for Labour – or indeed the Democrats, who are similarly guilty on this score – to attack Mrs Thatcher for various irresponsibilities and then duck this debate.

The question Labour must now answer is: does it believe that citizens generally have a responsibility to work, if they are capable of work and expect some sort of income from society?

If Labour answers no, it can forget about its chances at the next election. If, however, it were to answer a clear yes, it could then go on to assert government's responsibilities to provide work for citizens who do all in their power to find work but are unable to do so through no fault of their own.

That could sound very attractive to electors; Labour, like Mrs Thatcher, promoting individual responsibility but – unlike Mrs Thatcher (so far) – firmly acknowledging the State's reciprocal responsibilities.

Joe Rogaly quotes from Raymond Plant's excellent Fabian pamphlet, and suggests that a responsibility to work coupled with a commitment to full employment equals "workfare". What a debasement of language! Since when was the idea of guaranteed work for the unemployed, work that would get them off the unemployment register and away from "welfare", defined as workfare?

Of course, we know the issue behind this, and it concerns whether or not claimants should be able to keep on turning down jobs and still claim their benefit. Such is the state of the Left in this country that many talk of our benefit system as if it had guaranteed everyone an unconditional basic income in the years before Mrs Thatcher gained power.

The Labour Party conference vote in Blackpool to boycott Employment Training will considerably weaken the Labour Party's moral authority across the field of employment and training policies. It cannot now afford to duck the challenge of declaring its stand on the responsibilities of citizenship in relation to income and work. If it is to have any credibility in arguing the case for full employment it must make clear that citizens who refuse employment offered to them, without good cause, would at some stage forfeit entitlement to benefit.

Peter Ashby,
St Georges House, Windsor Castle, Berkshire

Performance appraisal

From Mr David Sainsbury

Sir, While delighted to be seen as entrepreneurs (Lex, October 3), we were surprised at the implication that, along with The Bell Group and Maxwell Communications, we had underperformed over a long period.

This seems curious for a company which over the past 10 years has outperformed the FT-A 500 Index by almost 2½ times; and shown a steady earnings per share growth averaging 26 per cent per annum.

David Sainsbury,
Deputy Chairman, J Sainsbury, Stamford House, Stamford Street, London SE1 9LL

Surprised? you won't be

From Mr John G. Bridge

Sir, UK deficit £12bn.
South Korea surplus $11bn.
Surprise, surprise.

John G. Bridge,
The Textile Industry Support Campaign, 115 Windsor Road, Oldham

From Mr D D Chomeau

Sir, I was astonished that writer Philip Stephens finds "The outlook . . . clouded by uncertainties" (World Economy Survey, September 28). In the history of your fine publication, have you ever reported the outlook to be otherwise?

D D Chomeau,
The Reliable Life Insurance Company, 231 West Lockwood Avenue, Saint Louis, Missouri 63119, US

High levels of exposure a deterrent

From Mr Peter Faulkner

Sir, Dominique Jackson's article on the new LIFFE Bund contract (FT, September 30), while making some valid comparisons to the Japanese Government Bond contract, appeared to miss a crucial point. The Bund contract of DM 250,000 is, in dollar terms, over 5½ times smaller than the JGB contract of Y100m.

Not only does this make straightforward comparisons of volume figures impossible but also leads to a more serious problem. In sterling terms one tick on one contract is worth about £44 for the JGB contract but only £8 for the Bund.

This obviously has a detrimental effect on the liquidity of the JGB contract – many locals are deterred from trading in a market where the levels of exposure can be so high. I believe this is the primary reason for the low levels of business in the JGB contract.

Peter Faulkner,
1 Queen Elizabeth Street, London SE1 2LP

'How independent is this putative union?'

From Mr Daniel Vulliamy

Sir, It is hardly surprising that P & O European Ferries is equivocal about giving public support to the breakaway European Ferrymen's Association (FT, September 29). Open support would call into question the independence from employer influence of the organisation.

The most cursory examination of its Rule Book suggests that this putative union certainly does not have the interests of its potential members at heart. A few examples from the Rule Book will suffice.

- A strike, even of a few members in one section, requires 75 per cent support from the entire membership, non-voters being treated as against.
- There is no provision for the payment of strike or lock-out benefit.
- The organisation is banned by rule from providing assistance to any member *"accused* of any offence involving drink, drugs, or breaches of Customs and Excise Laws".
- Admission into and expulsion out of membership are solely at the discretion of the committee. There are no provisions for appeal against decisions or actions of the committee or of association officers.
- There is no provision for any system of lay representatives, normally the bedrock of trade unionism.
- Rule changes require a 75 per cent vote of the entire membership.

The Government Certification Officer may shortly be asked to exercise his statutory duty to determine whether the new body is genuinely independent. That will prove an interesting test of the Certification Officer's independence from the interests of Mrs Thatcher and Sir Jeffrey Sterling.

Daniel Vulliamy,
The University of Hull, Industrial Studies Unit, 49 Salmon Grove, Hull, North Humberside.

Flight of fancy

From Mr A C V Wynn

Sir, Lord Young, in his remarks on the Organisation of Petroleum Exporting Countries, stated: "We will not be part of a cartel" (FT, October 5). Can we take this to mean that cheaper air fares to Europe will soon be available?

A C V Wynn,
14 West Smithfield, London EC1A 9HY

Writers of letters intended for publication are requested to include a telephone number where they can be reached during the day.

FINANCIAL TIMES
Friday October 7 1988

Shadows stretch across sunny Monaco

Paul Betts examines the rumours of crisis in the Riviera's beachside empire

A WHIFF of scandal is blowing over the Riviera. The tiny but opulent principality of Monaco is awash with rumours these days about a major internal crisis at the Société des Bains de Mer et Cercle des Etrangers à Monaco (SBM), the company controlled by Prince Rainier which owns the casino, the Monte-Carlo beach, the tennis club and golf course, as well as the famous Hotel de Paris and Hotel Hermitage.

The crisis has been brewing ever since the SBM became caught up in the problems of the French stockbroking firm Baudoin, which was suspended from dealings earlier this year by the French financial authorities for "serious shortcomings in its management and supervision".

The SBM acknowledged last month that it had been forced to make provisions to cover possible losses as a result of unhappy investments made through the Baudoin stockbroking firm, which has since been rescued by Finacor, a leading French money broker.

But Prince Rainier, who has long sought to change the traditional image of Monte-Carlo as a "sunny place for shady people", is understood to have been angered by the affair and has demanded a change in the senior management of the company.

The SBM yesterday said it had no official comment to make about the possible top management reshuffle which is widely expected to take place later this month. But sources close to the palace suggested that Mr Andre Saint-Mieux, the SBM chairman, and Mr Jacques Seydoux de Clausonne, the urbane number two in the group, would be soon replaced following the crisis of confidence between the two executives and the Monegasque state, the majority shareholder of the SBM with 69 per cent.

Tipped to replace the two executives are Mr Edmond Lecourt, the head of the traditional Savon de Marseilles soap group, and Mr Henry Rey, a well-established Monegasque

Andre Saint-Mieux (above) could be replaced in an expected management reshuffle.

solicitor. Both are already on the board of the SBM.

The affair is already causing an upheaval in the principality and fuelling conversations in the gilded salons of the miniscule state's Manhattan-like skyscrapers because of the overwhelming importance of the SBM in Monaco.

Indeed, the principality of Monaco has often been described as a "state within a company" because the tiny country owes much of its prosperity and development during the past century to the SBM. Founded by Francois Blanc, a 19th century genius of the luxury leisure business, the ubiquitous SBM launched Monte-Carlo on the international map thanks to its famous rococo casino and palatial hotels.

Even though gambling today accounts for only about 4 per cent of Monaco's annual state revenues, the casino remains a symbol of the golden image of Monte-Carlo. Moreover, the SBM has long been the principal vehicle for promoting the principality abroad and in the past few years has been the motor in Monaco's efforts to recreate its Belle Epoque fame which has suffered of late with the arrival of the sky-rise buildings, mass tourism and the growing scarcity of the big spenders of the past.

Monaco has always been associated with White Russian dukes, English lords, and Greek shipping tycoons. The SBM at one stage was controlled by the late Aristotle Onassis until the Greek shipping magnate fell out with Prince Rainier who subsequently secured for the principality control of the SBM.

The expected replacement of Mr Saint-Mieux and Mr Seydoux de Clausonne comes at a time when the SBM appeared to be enjoying a revival in its fortunes with profits doubling this year to FFr122m ($19.2m) and pre-tax sales rising above the FFr1bn mark this year. Moreover, the company has been engaged in an extensive renovation programme over the past few years to restore the Casino, the Hotel de Paris and its other facilities to their former glory.

The likely departure of Mr Saint-Mieux will inevitably cause surprise and some raised eyebrows even beyond the frontiers of the postage stamp principality roughly the size of Hyde Park in London. A French career diplomat, Mr Saint-Mieux had for nine years acted as the secretary of state of the principality representing the interests of France, before taking over at the head of the SBM.

Mr Saint-Mieux, a quiet and discreet man, and the more flamboyant Mr Seydoux de Clausonne, appear to be paying the price for allowing the venerable name of the SBM to be dragged into the Baudoin scandal on the Paris bourse last March.

Prince Rainier over the past 30 years has increasingly tried to run Monaco like a well-managed corporate enterprise diversifying and developing his country's economy in new financial, industrial and service sectors as well as consolidating and renewing its traditional tourist base. He has also said on several occasions that his ambition was to make people finally take the tiny sovereign state seriously and to put an end to the dubious images which for generations Monaco, and especially Monte-Carlo, have engendered in the popular mind.

The picture postcard Mediterranean country has always suffered from the image of a tax haven as well as of a playboy's paradise where the lucky few manage to break the bank of Monte-Carlo. But although this image has persisted — boosted by the saga of the Royal family and Prince Rainier's glamorous daughters whose movements are reported in detail in many of the world's glossy magazines — Monte-Carlo appears to have succeeded in shaking off its past and in presenting a more modern, successful and clean-cut look.

For this reason, sources in Monaco suggested yesterday, the state authorities decided to take swift and tough action to intervene in the SBM affair in an effort to limit the damage a crisis at the SBM could cause to the overall image of the principality. But the affair is likely to leave a bitter aftertaste in the champagne world of Monte-Carlo.

Moscow seeks electronics deals with US

By David Thomas in Novosibirsk

THE Soviet Union is seeking a series of joint ventures with leading US software and electronics companies which it believes could help the Soviet Union to circumvent some of the main barriers preventing it from importing advanced Western high technology.

Top Soviet scientists believe they will be able to gain access to advanced US microprocessing technology in return for sharing with the US some of their advanced mathematics-based software.

Professor Vadim Kotov, deputy director of computing at the Soviet Academy of Sciences in Novosibirsk, one of the main Soviet science centres, recently spent 2½ weeks in the US on a Soviet delegation which saw a different US electronics company each day.

Professor Kotov said Borland, one of the leading US publishers of business personal computer software, had shown interest in some Soviet software packages. Computer scientists from Novosibirsk are planning to visit Borland in December.

A spokesman for Borland said last night that its executives recently met a Soviet trade delegation. The business discussions were "extremely productive." The company is believed to be interested in exporting products to the Soviet Union.

The Soviet delegation was looking at two main types of arrangements — joint ventures with US microprocessor companies which would give access to Western 32-bit microprocessor technology, and software exchanges with US software companies, which would result in each side marketing software in the other's country.

The Soviet plan is to establish a joint venture to design a 32-bit microprocessor which would then be manufactured in the US, though possibly also in the Soviet Union. In return, the Soviets would give its US partner access to their software skills. The Soviets are working on their own version of a 32-bit microprocessor, but Prof Kotov said it would take up to three years to develop.

Executives from Micropro, the Californian-based software company, are in Moscow discussing the possibility of developing a word processor program for the Soviet market.

The talks may still fall foul of the rules restricting the export of Western technology to the Soviet Union on military grounds, which are administered by the Paris-based Cocom organisation. However, the efforts being made by the Soviets indicate both the importance they attach to developing their computer industry and their greater willingness to deal with Western companies.

Professor Kyrill Zamarayev, a biochemist who heads the Institute of Catalysis in Novosibirsk, said he was in talks with US and European companies about commercial exploitation of the institute's research.

State of siege declared after Algiers riots

Continued from Page 1

criticised those with senior posts in the powerful state industries for never leaving their offices, and the private sector, which he has strongly encouraged since coming to power, for profiteering.

He did not spare those members of the ruling party who entertained any doubts about the need to get the country back to work after years of enjoying the unearned wealth brought by the high price of oil and gas. Hydrocarbons account for more than 95 per cent of the country's export income.

As they seek to unshackle an economy burdened by a string of inefficient state industries, Algerian leaders are caught between a sharply falling foreign income (down from $13bn in 1985 to an estimated $8bn this year) and the impossible task of diversifying exports fast enough.

Low productivity, mediocre quality, an artificially high currency all militate against the non-hydrocarbon sector making a serious contribution to the balance of payments for many years to come.

Cutting back imports from $8.8bn in 1985 to an estimated $6.2bn in 1988 has succeeded in balancing the current account. But it has led to a growing shortage of raw materials and spare parts.

The black market has expanded and, as always, members of the nomenklatura, including senior army officers are spared the worst. Privileges in Algeria may be less than elsewhere in the Middle East but they are keenly felt by a population whose spirit of egalitarianism, born of the long war of independance, remains strong.

Algeria is taking its medicine. Subsidies on staple foods have been slashed, foreign travel allowances cut, entrance to universities become more selective. The state is selling off land, long run by inefficient co-operative farms, and encouraging private entrepreneurs.

Unfortunately this process is increasingly taking on the appearance of a distribution of spoils. Special venom is reserved for the "millionaires du legume" who distribute a growing amount of the produce from the land.

Frustration and envy are rampant among younger Algerians, who make up more than half the population of 23m and find jobs increasingly hard to find.

The changes under way may need to be more sharply focused.

Foreign investment for example, could help maintain a respectable level of economic growth, but Algeria's bloody colonial experience still makes the country's leadership wary of any significant foreign presence.

Two joint ventures with major foreign companies, Ericsson and Daewoo — the latter to build a Hilton in Algiers — have been signed this past year but most international companies are wary of the less than liberal law on foreign investment and the heavy hand of bureaucracy.

The benefits here could be all the greater as the country has scrupulously honoured its foreign debt payments. This year its bankers will raise loans worth $3.5bn, roughly the cost of its principal repayments on its foreign debt of $20.7bn.

More than ever, however, the country's future is predicated on the price of oil and the ability of its leaders to push through the reforms which have been mapped out over the past two years.

Politburo of Yugoslav province quits office

The entire Communist Party Politburo ruling Yugoslavia's Vojvodina province resigned yesterday after 100,000 protesters demanded they quit office, Reuter reports from Novi Sad.

Outside the regional parliament in the Vojvodina capital Novi Sad where the politburo was meeting, protesters hurled bottles and riot police, with helmets and shields, stood ready for action.

Some 10 to 15 people, mostly policemen, were taken away in ambulances as demonstrators shouted: "We are losing patience." The demonstrators back Serbian demands for greater control of the autonomous province, part of the Serbian republic, Yugoslavia's biggest.

Ninety-nine members of the province's policy-making party Central Committee, meeting in emergency session, voted by a big majority to accept the politburo's resignation.

Earlier, Mr Nandor Major, Vojvodina provincial president, resigned after protesters laid siege to official buildings and tried to breach police barricades. Mr Milovan Sogorov, Vojvodina Party president told the Central Committee meeting: "Things are happening outside. There are many injured people."

Serbia's Communist Party leaders backed the demonstrators' call for the resignations of all the leaders of Vojvodina.

The protest, the second in as many days, was the fiercest in support of a crusade by Mr Slobodan Milosevic, the Serbian Communist party leader, to assert greater control over Vojvodina and Kosovo.

At an emergency meeting with Vojvodina leaders in Belgrade yesterday, Serbia's Communist Party Politburo had called for the immediate resignation of the Vojvodina Politburo and a purge of the province's media.

Vojvodina leaders told protesters on Wednesday that they would resign on Thursday. The Serbian Politburo insisted they do so: "Only a radical personnel shake-up can return the lost respect and support of (Vojvodina's) citizens," said a statement by the Serbian Politburo read over Belgrade radio.

Serbia is unique among Yugoslavia's six republics in having two autonomous provinces over which it has little control.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	70	Dubrovnik	C	19	66	Malta	S	26	79	Rhodes	S	24	75
Algiers	S	28	82	Edinburgh	F	28	82	Manchester	F	11	52	Rio de Jo	C	30	86
Amsterdam	R	16	61	Faro	S	24	75	Manila	C	29	84	Rome	R	27	80
Athens	C	26	79	Florence	F	21	70	Melbourne	C	13	55	Salzburg	F	15	59
Bahrain	F	35	95	Frankfurt	R	18	64	Mexico City	C	20	68	San Francisco	C	16	61
Bangkok	C	32	90	Funchal	F	22	72	Miami	C	28	83	Seoul	S	19	66
Barcelona	C	19	66	Geneva	R	16	61	Milan	S	19	66	Singapore	C	32	90
Beirut	F	27	81	Gibraltar	S	25	77	Montreal	C	10	50	Stockholm	C	13	55
Belfast	R	09	48	Glasgow	R	08	46	Moscow	F	16	61	Strasbourg	R	13	55
Belgrade	F	19	66	Guernsey	C	13	55	Munich	C	13	55	Sydney	F	25	77
Berlin	F	15	59	Helsinki	F	16	61	Nairobi	C	23	73	Taipei	C	28	82
Biarritz	S	18	64	H. Kong	C	28	82	Naples	F	22	72	Tangier	F	21	70
Bombay	C	30	86	Innsbruck	F	15	59	Nassau	C	30	87	Tel Aviv	F	27	81
Bordeaux	C	17	63	Inverness	S	10	50	New Delhi	F	33	91	Tenerife	F	24	75
Brussels	R	18	65	Islamabad	F	32	90	New York	F	18	65	Tokyo	R	20	68
Budapest	R	10	50	Istanbul	F	20	68	Nice	S	21	70	Toronto	C	11	52
B. Aires	F	20	68	Jakarta	C	34	93	Nicosia	F	33	91	Tunis	S	29	84
Cairo	F	29	84	Jersey	R	15	59	Oporto	S	18	64	Valencia	F	24	75
Cape Town	F	17	63	Jo'burg	F	29	84	Oslo	R	11	52	Venice	F	17	63
Caracas	C	26	79	Lima	C	18	64	Paris	R	14	57	Vienna	F	22	72
Casablanca	F	23	73	Lisbon	F	24	75	Peking	S	25	77	Warsaw	F	19	66
Chicago	F	12	54	London	R	15	59	Prague	F	15	59	Washington	S	07	45
Cologne	R	12	54	Los Angeles	C	24	75	Reykjavik	S	04	39	Zurich	C	13	55
Copenhagen	C	13	55	Luxembourg	R	10	50								
Corfu	T	22	72	Madrid	F	27	81								
Dallas	F	12	54	Majorca	F	25	77								
Dublin	R	11	52	Malaga	F	21	70								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Republicans rally round

Continued from Page 1

Senator, you're no Jack Kennedy."

Doubts about Mr Bush's choice of Mr Quayle as his running-mate were fuelled by his mediocre academic credentials, limited record of legislative accomplishment and suggestions that he had used family influence to avoid combat duty in Vietnam.

Througout yesterday leading Democrats and Republicans tried to claim victory in the debate in order to influence the television and newspaper coverage in the next few days.

Mr Robert Teeter, Mr Bush's chief pollster, said Mr Quayle's performance had been superb but he sought to shift the focus away from Omaha to the contest between Mr Bush and Mr Dukakis.

Governor Mario Cuomo of New York said the debate was about whether Mr Bentsen or Mr Quayle was more suited to sit across the table from Mr Mikhail Gorbachev, the Soviet leader, or sit in the White House with his finger on the nuclear button. "That person was clearly Lloyd Bentsen."

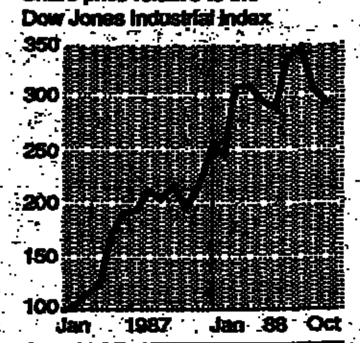
THE LEX COLUMN

Big Steel polishes up its image

BZW's decision to cut its dealing spreads and to reduce the size in which the prices hold good, is another nail in the coffin of the SEAQ system. With both BZW and Phillips and Drew now making one set of prices for clients and another for everyone else, the market has come a long way from the equitable post-big bang ideal.

Bethlehem Steel

Share price relative to the Dow Jones Industrial Index



British Steel

The vendors of British Steel are taking few chances with the biggest flotation since the crash, and appear to be aiming the issue at all investors everywhere. The steel industry might not be an ideal home for Sid, but the hope is that once he sees how excited the institutions and overseas investors are, he will decide to join in.

For all types of investor, the trick will be to prove that the company is not as cyclical as it is cracked up to be, and not being sold at the top of its market. Even overseas investors, who are relatively well informed about the industry, may need some convincing that the steel cycle has not peaked. The recent behaviour of the Bethlehem Steel share price shows how anxious its shareholders are: forecasts for 1988 earnings have risen five-fold in the past year, while the shares are barely up 20 per cent. Yesterday's results from Arbed tell a similar story of a great leap from loss to profit, dished up with a hint that things may not stay so good indefinitely.

None of this means that it will be impossible to privatise British Steel, and even those UK institutions which falsely believe it still to be inefficient and overmanned expect it to become a core holding so long as the p/e is tiny and the yield large. Unfortunately, the glossy promotional literature released yesterday does not get the sale off to a persuasive start, as it neglects to explain that the industry is cyclical at all. Neither does the press advertisement, which makes the British Steel logo look like a maze, seem the best way to convince the naive that buying shares in the company will be simple.

Credit cards

If there was ever any doubt that the profitability of the UK credit card industry had already peaked, yesterday's decision by Lloyds Bank to break with its Access colleagues and begin competing directly for retailer's business, should set the record straight. The credit card business is already mature and while it never contributed more than 8 per cent of any clearing bank's profits, this contribution seems set to fall as banks begin cutting margins in order to win the retailers' custom. This is welcome news for the hard-pressed retailers and should go a long way towards making the current MMC credit card investigation irrelevant. However, for the bank customer the move is not such good news since it is likely to hasten the day that the card companies begin charging for the use of their cards.

Gold Fields

The battle for control of Consolidated Gold Fields is entering a rather nasty phase as both sides swap arguments about how close they were to merging two years ago. While it might all seem rather academic at first sight, it has an important bearing on the outcome of the battle since Minorco's record of events in late 1986 is seriously at odds with Gold Fields' own memories of the affair, and raises questions about the credibility of Mr Rudolph Agnew, the Gold Fields chairman.

Minorco's decision to publish details of the joint draft press release, which included the offer price and detailed responses to anticipated media questions, gives a clear impression that the senior executives of both sides had agreed to a friendly merger, but this was subsequently overruled by the full Gold Fields board. Mr Agnew calls this deliberate foul play and argues that it simply reflected good preparation for such work just in case the full Gold Fields board took the unlikely decision to go ahead with a deal.

Unless both companies agree to disclose the full minutes of any meetings which took place between them it is hard to draw any firm conclusions. However, yesterday's disclosures suggest that both sides were much closer to an agreement than anyone thought, and will make it considerably harder for Gold Fields to convince the various regulatory authorities that they should come to its defence. Despite all the anti-South African rhetoric this bid is almost certainly going to be decided on price alone.

Milan Bourse

At this rate, investors had better hope that the impasse over political reform in Italy continues for as long as possible, as every extra day's delay seems to take the Italian equity market to new highs. Corporate profits forecasts have been revised upwards, as have predictions of economic growth in the current year — but Milan can hardly claim to be the only market where that is true at the moment, so its recent leap-frogging rise probably has little to do with mundane factors such as these.

After months of tedium — during which the FT Italian index in dollar terms underperformed the world index by as much as 20 per cent — investors have become convinced that the parliamentary secret vote is about to be abolished, and that this will help the Government tackle the public sector budget deficit. They have bought the market on these grounds, and there is every reason to believe that they would continue to do so once the secret ballot had been firmly ushered out. Indeed, those foreigners who have only just discovered that there is something afoot in Italy could well still have time to get in on the gains; the consensus view is that the abolition of the secret ballot could be worth another 4 or 5 per cent on the domestic index in the short term.

The danger, however, is that while investors may be right that the prospects for the secret ballot are dim, they could be wrong that abolishing it will make very much impact on controlling public sector finances. The Italian Government may not be the only one which overshoots its spending targets with distressing regularity; but to continue to do so must be bad news for equities.

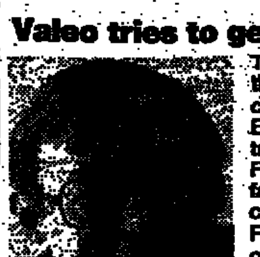
FINANCIAL TIMES
COMPANIES & MARKETS
Friday October 7 1988

INSIDE

Going against the grain yields trouble

Efforts by industrial countries to erode their costly grain mountains may have been more successful than some producers had thought. American and European governments still pay farmers not to grow crops; but three new reports in recent weeks have challenged the assumption that the world is producing too much grain. Grain stocks, which amount to 54 days of consumption, are now at post-war lows and the longer-term implications could be devastating. Page 34

Valeo tries to get in driver's seat



The latest bid by Valeo, the second largest car components group in Europe, for Epeda-Bertrand Faure, the leading French car seat manufacturer, marks a significant new chapter in France's long and arduous effort to constitute a strong yet independent car components industry. For Mr Noel Goutard (left) it also represents part of a general strategy to build up the critical size of the company since being appointed head of Valeo two years ago by Mr Carlo De Benedetti, the Italian businessman. Page 24

Trouble at Touche Remnant

The victory of the British Coal Pension Funds in their £560m bid for TR Industrial & General, Britain's third largest investment trust, raises question marks about the future of Touche Remnant, the fund management group which has seen assaults or reconstructions at four other trusts during the past year. Page 30

Removing the buzz from New Zealand's kiwi fruit

Science and technology have caught up with New Zealand's hard working honey bees. Traditionally charged with pollinating female kiwi fruit flowers, the bees have been laid off and orchard owners are now using hand-held pollination sprays that do the job better. For many kiwi fruit producers, the costly change-over has boosted production dramatically. For the bees, sweeter, less demanding, times are ahead. Page 34

European stock turnover surges

Rumours of stakebuilding, renewed bid battles and mystery buying injected a welcome dose of activity into the European bourses last month. Belgian stock turnover soared 70 per cent while the French bourse saw trading jump 63 per cent. Tractebel, Petrofina, Pernod, Agence Havas and LVMH were among the most active issues during September. Page 46

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Chief price changes yesterday

FRANKFURT (DM)				Gal. Lafayette	1140	+	30
Rises				Fives Lille	144	+	5
Bayer Hypo.	392	+	15.2	Paribas	472	+	19
Lufthansa	155.5	+	5.5	**Falls**			
RWE	230	+	5	Radiotech.	573	—	57
Falls				Vallourec	172.5	—	8.5
Contl. Gummi	260.5	—	25	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Nichias	775	+	76
Atl Richfield	77 1/8	+	7/8	Ikegai	600	+	37
Damon Corp.	24 1/2	+	1/4	Takashima	1500	+	90
MCA	46 7/8	+	1 7/8	**Falls**			
TW Servs.	26 5/8	+	1 3/8	Tokyo Elec	2200	—	150
Falls				Nippon Tele	1050	—	70
Digital Comm.	23 3/4	—	1/4	Toshiba Eng	872	—	57
Seagate Tech.	7 7/8	—	5/8				
PARIS (FFr)							
Rises							
Primagaz	725	+	54				

LONDON (Pence)				SUS.A	£10 1/8	+	1/8
Rises				HTV	248	+	23
AngliaTV	197	+	11	Higgs & Hill	353	+	15
Aurora	140	+	22	Ladbroke	483	+	12
ASDA Gp.	148	+	5	P & O Defd.	585	+	16
Bass	802	+	11	Scott. & New	363	+	10 1/2
British Land	354	+	18	Sovereign Oil	169	+	6 1/2
Central ITV	545	+	11	**Falls**			
Courtaulds	293	+	7	Illingworth M	194	—	4
EMAP	205	+	8	Invergordon	357	—	8
Finlay (James)	123	+	7	McAlpine (A)	290	—	65
Glaxo	£11 1/8	+	1/8				
Grand Met.	452	+	8				

La Générale paves way for large placing

By Tim Dickson in Brussels

CLEAR EVIDENCE that Société Générale de Belgique, Belgium's biggest holding company, is preparing a large share placing emerged yesterday when it announced the appointment of Saatchi & Saatchi, the UK advertising and consultancy group, to carry out a 12 country "audit" of the company's market image.

The move, which is highly unusual for a Belgian concern, is a further sign of changes being wrought inside the company by its new owners, notably Compagnie Financière de Suez, the French investment bank, and the new management team under Mr Herve de Carmoy, chief executive. In the past, calling in Saatchi would have been considered out of tune with La Générale's traditionally low-key style.

During the summer, Suez and its Belgian allies emerged triumphant after a bitterly contested takeover battle with Mr Carlo De Benedetti, the Italian businessman. That struggle, however, proved costly in terms of time and money for both sides and the Franco-Belgian group has already publicised its intention to sell a significant part of its 80 per cent stake back to investors.

A spokesman for La Générale said the number of shares to be made available to the public, and the timing, were not yet known but he confirmed the Saatchi contract should be viewed with a placing in mind.

Research will be carried out in financial markets in Belgium, the UK, West Germany, France, Sweden, the Netherlands, Italy, Spain, Japan, Hong Kong, the US and Canada.

The company said the results would be available by the end of the year.

Philip Rawstorne writes: The project will be co-ordinated through Saatchi's agency in London. Saatchi views the prestige gained in securing the contract as a valuable boost in the expansion of its management consultancy business.

UK steel float looks to overseas investors

By Nick Garnett and Ralph Atkins in London

INVESTORS from Japan, the US, Canada and continental Europe have shown strong interest in buying stakes in British Steel which is to be floated for an expected £2.5bn ($4.25bn) in the second half of next month, according to Samuel Montagu, the UK merchant bank.

The bank yesterday launched the marketing campaign for what will be the largest flotation of a state-owned UK manufacturing company. Samuel Montagu is acting as the Government's financial adviser.

The share offer means government privatisation receipts will almost certainly hit a record level this financial year and easily exceed the Treasury's target.

The Government is already approaching the £5bn expected from privatisation receipts in 1988-89. Money has flowed from the sales of British Gas, British Airports Authority, British Petroleum and British Telecom.

There have been suggestions that some department officials were worried that the present financial climate was not suitable for what is the first privatisation since the troubled BP flotation last year.

The share price will be announced next month.

Samuel Montagu said the flotation would be directed at UK institutions, overseas investors and the British public. It denied individual UK shareholders were being relegated to third place.

Overseas offers are being made in the US, Japan and Canada with a placing in continental Europe. This raises the prospect of steelmakers in other countries purchasing a stake in British Steel. A shareholding taken out by a Japanese steelmaker, for example, would give it a useful entry into the European market.

The Government is to hold for five years a special share which will prevent any individual or group from owning 15 per cent or more of British Steel, which is the most profitable European steel maker and, with South Korea, the lowest-cost producer in the world.

Total overseas shares in the company, which made a profit last year of £410m on sales of £4.1bn, could be up to 30 per cent of the flotation.

Lex, Page 20

A very personal gamble

Louise Kehoe looks at how Sun plans to rise in the world PC market

IT HAS been the computer success story of the 1980s. In just six years Sun Microsystems, of Mountain View, California, has taken the computer workstation market by storm, grabbed market leadership and built up sales of over $1bn a year. Now it is planning a bold gamble, in which it will play David to personal computer Goliaths like IBM, Apple and Compaq.

Aiming to maintain the hectic pace that has seen profits soar from $654,000 to $66.5m between 1983 and 1988, Mr Scott McNealy, Sun's president, is planning a major assault on the more than $50bn world personal computer (PC) market next year. The plan was revealed in outline last week by a senior Sun executive, and while the company refuses to elaborate, it is expected to launch products that bridge the gap between high-powered workstations and standard desk-top personal computers.

"Sun will be virtually betting the company. The personal computer market represents a fabulous opportunity, but an incredible financial risk," says Mr Stewart Alsop, a computer industry analyst and newsletter publisher. He estimates that it could cost Sun as much as $1bn to establish itself as a significant player in the PC industry.

It is, however, a challenge Sun's young executives seem to relish. Over the past six years they have out-manoeuvred such computer giants as Digital Equipment and IBM to win a commanding position in the workstation market.

Founded in 1982 by four young college graduates with virtually no prior business experience, Sun is one of the fastest growing companies in the computer business. Each year the company has doubled its sales, and each month has taken on at least 200 new employees.

Others might talk of controlling such runaway growth, but Sun speeds ahead. The secret of its success lies in its ability to bring new products to market at a pace that leaves competitors trailing.

Rejecting the conventional approach to computer design, which involves the costly development of proprietary architecture, Sun uses industry standard chips or software, where they exist, and has attempted to establish new industry standards where they are lacking.

Challenging the entrenched leaders of the PC market (IBM, Apple Computer and Compaq Computer), Sun will offer machines that are three times faster than the latest high-performance personal computers, but priced to compete directly with them at under $10,000, according to industry insiders.

Sun officials declined to discuss future product plans, but according industry experts, the company's strategy is to wipe out the distinctions between workstations and PCs by offering a computer that can perform both roles.

Already the distinctions between a workstation and a high-performance PC are vague. Both are desk-top machines powered by microprocessors. The differences lie in the tasks each are generally used to perform. While PCs are commonly used in a wide variety of office automation roles, workstations tend to be used for specialised tasks, such as computer aided design, financial analysis or scientific calculations.

Sun's first PC is expected to combine the ability to run both American Telephone & Telegraph's Unix, an increasingly popular operating system in the workstation market, with the standard IBM-compatible DOS operating system from the PC world.

The result will be a system capable of performing the analytical calculations normally performed by a workstation, but equally able to handle popular spreadsheet and word-processing programs designed for PCs.

This approach is not new. Sun already offers workstations that are compatible with PC standards, and most high-performance PCs can, if required, run Unix applications. These machines, however, compromise performance to gain broader compatibility.

To achieve the best of both workstation and PC worlds, Sun will take a radically different approach. Breaking chipmaker Intel's hold on the PC market, Sun will power its machines not with the Intel microprocessors that have become a key component of all IBM-compatible PCs but instead with its own Sparc microprocessor design. In order to run standard PC programs, special emulation software will be used to force the Sparc chip to "pretend" it is a standard Intel micro.

"Sparc will change the nature of the desk-top computer market," says Mr Brian Halla, vice president of LSI Logic, one of five semiconductor manufacturers licensed by Sun to produce Sparc chips. The high performance and relatively low price of Sparc will make it an important contender in the PC market, Mr Halla predicts. And where Sun leads others will follow.

However, while Sun can build its workstation technology into PCs, it faces new challenges in marketing and sales distribution if it is to ultimately succeed in the PC market.

The splashy product launches and expensive advertising campaigns of the personal computer industry are, for example, new to Sun. The company must also adapt to selling some of its products through computer retailers, a major departure from its current direct sales approach.

In addition, as it attempts to broaden its markets, Sun cannot afford to lose sight of its core workstation business, where competition is mounting. Both Digital Equipment and IBM are preparing major new products for the workstation market, while Sun's Californian neighbour, Silicon Graphics, on Tuesday unveiled a workstation with three-dimensional graphics for about half the price that Sun charges for an equivalent product.

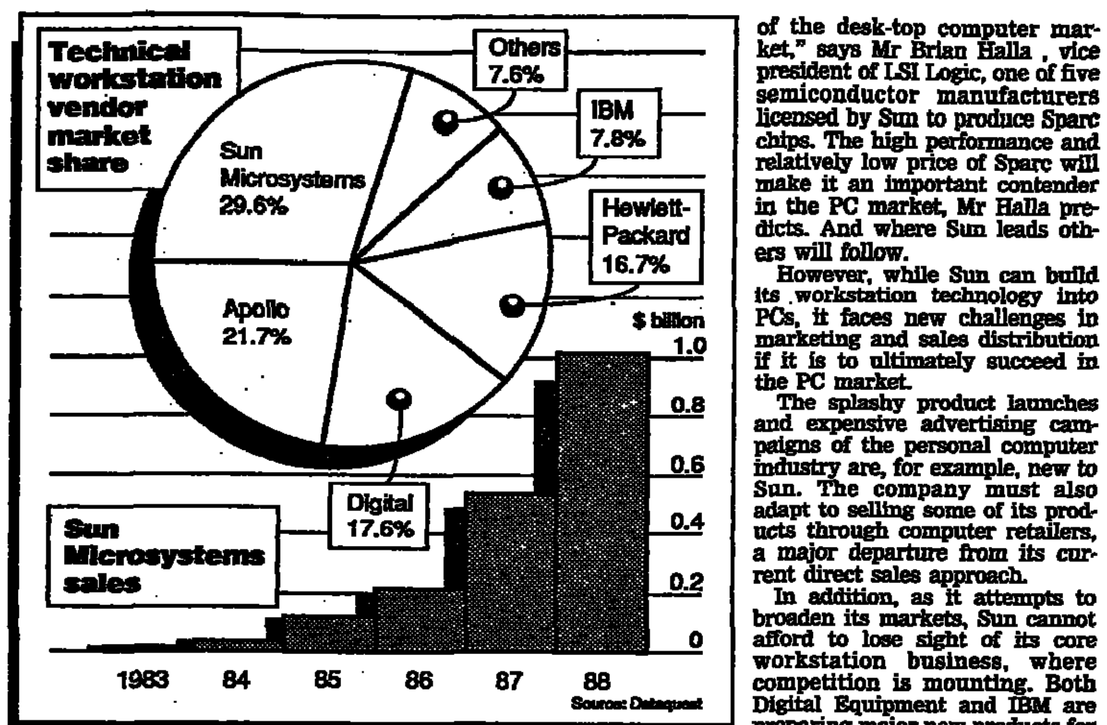
Sun must also weather the storm surrounding its relationship with AT&T. A year ago, Sun agreed to work together with AT&T to develop a "unified" version of the Unix operating system.

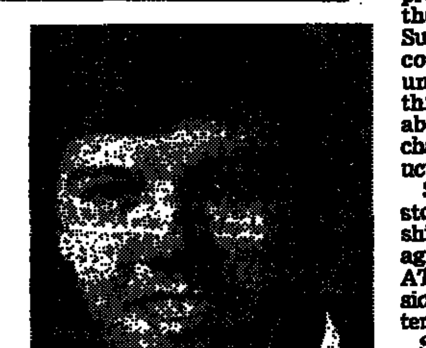
Sun competitors and other Unix licensees felt, however, that Sun gained an unfair advantage through its relationship with AT&T. They rebelled, forming the Open Software Foundation to develop their own, non-proprietary version of Unix. Now the members of OSF, including IBM, Digital Equipment, Hewlett-Packard, Hitachi, Apollo Computer and several other leading computer and software companies, are discussing admitting AT&T as a member.

This action might mend the industry rift, but it would neutralise any advantage that Sun may have hoped to gain from its relationship with AT&T, as well as forcing Sun to decide where its loyalties lie and what to do about its continuing Unix development project.

Sun's expected bid for a piece of the PC market will form one side of what is shaping up to be one of the most spectacular battles in the history of the computer industry. With the recent launch of workstation-like products by Apple and Compaq a collision course has been set between the players in the workstation and PC markets.

Digital's PC bid, Page 22





Under Scott McNealy, president, turnover of Sun Microsystems has doubled in each of the last six years, and 200 new employees now join the Mountain View, California company every month

Fiat, Chrysler in distribution pact

By Alan Friedman in Milan

ITALY'S Fiat group has signed a letter of intent with Chrysler, the third largest US car maker, to form a 50-50 joint venture company to distribute three models manufactured by Fiat's Alfa Romeo luxury car subsidiary.

The new company, which will begin operating in a year's time, will add a number of Chrysler's 460 US dealerships to the existing 160-dealer Alfa Romeo network in North America.

Fiat said yesterday the deal would see the sale of three Alfa models – the new three-litre Alfa 164 and the two models already on sale in the US, the Alfa Spider and Milano sedan.

The group said it expected sales this year of 6,500 Alfa vehicles and is forecasting this number will rise to 10,000 vehicles in 1989 when the Chrysler link is established.

The Fiat-Chrysler deal comes 28 months after Turin-based Fiat first confirmed it was in talks aimed at a commercial agreement with Chrysler. On Wednesday, Fiat said the talks were going ahead, but were "still at a preliminary stage."

The move, which was welcomed in statements issued yesterday by both Mr Lee Iacocca, Chrysler chairman, and Mr Gianni Agnelli, Fiat chairman, comes five years after Fiat pulled out of the US market, having decided it could no longer sell its cars there.

An official said there were as yet no plans to try to return to the US market with either Fiat models or those made by Lancia, its upmarket subsidiary.

Mr Iacocca, in a joint statement, said: "This joint programme between Alfa Romeo and Chrysler-Plymouth is an especially good fit since both are aimed at upscale customers who appreciate high-quality, luxury products.

"It combines Fiat's recognised manufacturing, production and design expertise with Chrysler's strong marketing and distribution capabilities in the North American market."

Mr Agnelli, meanwhile, was quoted as saying the agreement would allow Alfa Romeo to strengthen the dealer network and increase distribution efficiency.

Fiat said last night that it could not disclose details of the new venture company as matters had still to be finalised. The group said it had high hopes for the Alfa 164 model, which in Italy costs L48.7m ($35,000).

Fiat acquired Alfa Romeo at the end of 1986 from the state-owned IRI-Finmeccanica group after a highly politicised takeover campaign that pipped the Ford Motor Company at the post.

The Alfa 164 model was nearly ready for launch when Fiat took control of the company in January 1987.

Eastern Air near to route sale

By Anatole Kaletsky in New York

EASTERN Air Lines, the strife-ridden US airline, seemed yesterday to be on the verge of a $300m sale of routes to Mr Donald Trump, the flamboyant New York property developer. The heavily loss-making unionised subsidiary of Mr Frank Lorenzo's Texas Air Corporation was also rumoured to be in talks with Mr Carl Icahn, another of Wall Street's most effective corporate raiders, about a possible takeover.

Mr Trump said publicly yesterday that he was nearing an agreement with Mr Lorenzo, to buy Eastern's most profitable business - the New York, Washington and Boston shuttle operation. A contract could be signed "as soon as next week", Mr Trump said, while executives involved in the talks added that a price of around $300m had already been settled.

Meanwhile, in a separate and more surprising development, strong rumours circulated on Wall Street that Mr Icahn, who already owns Trans World Airlines, was negotiating with Lorenzo and Eastern's unions about the possibility of buying the airline, either in part or as a whole. Such a deal would leave Texas Air to run its non-unionised subsidiary, Continental Airlines, while leaving Mr Icahn to consolidate what might become the biggest airline network in the US.

Mr Icahn, who declined to comment on the matter, was said to have been approached by the representatives of Eastern's unions. The unions have been locked in combat with Mr Lorenzo since he took over the airline two years ago. Their hope was to persuade Mr Icahn to buy Eastern from the outspokenly anti-union Mr Lorenzo. They were said to be offering Mr Icahn concessions on wages and work rules in exchange for guarantees on union recognition and labour-management relations.

It was a very similar situation that originally led to Mr Icahn's entry into the airline business in 1986. When TWA was threatened by a takeover bid from Mr Lorenzo, the unions turned to Mr Icahn who ended up buying the airline.

However, many analysts on Wall Street remained sceptical yesterday about the likelihood of Mr Lorenzo selling Eastern.

For years, Mr Lorenzo has been buying up air carriers in order to assemble the country's biggest airline holding company and establish clear market leadership along key routes.

Digital plans to re-enter personal computer market

By Louise Kehoe in San Francisco

DIGITAL EQUIPMENT, the second largest US computer company, is planning to re-enter the personal computer market through an agreement with Tandy, a leading US producer of personal computers.

Under the terms of the agreement, Tandy will design and manufacture a personal computer to Digital's specifications. Digital will sell the personal computer under its own name. The companies have also agreed that Digital will service Tandy personal computers owned by Digital's customers.

Digital withdrew from the personal computer market four years ago due to poor sales of its own Rainbow personal computer range. The company's strategy has however been to provide connectivity software that enables users to link their personal computers to Digital's minicomputers.

Last year Digital signed a major joint technology development agreement with Apple Computer, aimed at providing software to link Apple's Macintosh into Digital computer networks.

Digital also announced yesterday that it is offering software to link up with IBM's latest personal computers, the Personal System/2 range based on the Microchannel.

The agreement with Tandy will however provide Digital with its own brand of personal computers. The machines are expected to be based on industry standard hardware and software making them compatible with a wide range of software.

"With this agreement, we will broaden and further enhance that full range of products. As a result, we will offer our customers, especially those who prefer a single vendor solution, industry-standard PW with Digital's worldwide service and support," said Mr Don LaCava, vice president of Digital's low end systems group.

Société Générale raises net earnings by 22.6%

By Paul Betts in Paris

SOCIETE GENERALE, the large privatised French banking Group, reported yesterday a 22.6 per cent increase in overall first half net profits to FFr1.64bn ($257m) and a 21 per cent increase in first half net earnings excluding minority interests to FFr1.44bn.

France's fourth largest banking group said yesterday that first half profits had to be compared with results for the whole of last year rather than with the first half only because two subsidiaries, Crédit Général Industriel and Sogen Fiditalia, were not integrated in the consolidated accounts in the 1987 first half period.

Comparisons for the latest first half period have thus been based on half the results for the whole of last year.

Société Générale said provisions in the latest period were strengthened by FFr2.9bn and sovereign state debt risks had also been increased by a further 3 points. Provisions had already covered more than 50 per cent of the bank's country risks at the end of last year.

Deposits rose 6.7 per cent in the first half while lending increased by 10.4 per cent. The bank said there had been signs of a recovery in the corporate loan business while loans to individuals had risen by 26.8 per cent in the bank's domestic network.

Increased competition had weighed on loan margins, while revenues from customer securities operations had also declined as a result of the general stock environment. However, Société Générale said there had been a strong development in its market operations and in its specialised credit activities.

Overall net interest and commission income totalled FFr15.23bn

Coniston bids $1.3bn for TW Services

By Roderick Oram in New York

TW SERVICES, a leading restaurant and institutional food service group once a part of Trans World Airlines, has received a $28 a share $1.3bn takeover offer from a group of investors led by Coniston Partners.

Shares of the New York company rose $1¼ to $26⅞ yesterday, capping sharp gains in recent weeks. Bid speculation had been growing since Mr Ronald Perelman, the corporate raiding chairman of *Revlon, the US cosmetics group*, sold a 15 per cent stake in TW to Coniston at $19 a share three weeks ago.

SWT Associates, the Coniston led investment group, currently holds 19.1 per cent of TW's shares acquired at an *average price of $19.80 each*. SWT said it was seeking a friendly merger with TW's management taking an equity interest. TW said it would respond in "due course."

Originally, TW was part of Trans World Corporation but the airline was spun off in 1983 and the parent company itself broken up in 1986 when TW was floated as a New York Stock Exchange company.

Under its well respected management, TW's net profits soared last year to $56.5m, or $1.16 a share, from $15.7m, or 26 cents a share. Revenues jumped to $2.49bn from $1.92bn reflecting the acquisition of Denny's, a leading national chain of coffee shops and low-cost family restaurants.

Last year, 36 per cent of sales were derived from restaurants including Denny's, Quincy's steak house and the Hardee's hamburger chain. Another 59 per cent came from institutional food services such as vending machines, concessions and cafeterias. The remaining 5 per cent came mainly from nursing homes.

"It's quite a fair offer," said Mr Noel Sloan, an analyst with Kleinwort Benson Securities in London. He said the company has an "excellent management" which has done a creditable job of turning round Denny's. "TW are doing very well on their own; they don't need Coniston."

Airlines join forces for market-share war

Michael Donne examines the collaborative agreement between SAS and Texas Air

THE COLLABORATIVE agreement announced this week between Scandinavian Airlines System and Texas Air of the US reflects not only SAS's desire to expand its US links, but an industry trend which is developing in the fiercly competitive battle for increased shares of the growing world air travel market.

The US giants, Texas Air itself, which includes Continental and Eastern, American Airlines, Delta, Northwest, Trans World and United, are expanding their international operations, and other leading world airlines are having to take protective action to counter this strategy.

The non-US airlines, including many in Western Europe, the Far East and South-East Asia, are reacting to what is and will be an increasingly competitive climate by seeking to enlarge their activities and their market influence.

One of the most popular collaborative arrangements has been the creation of large groups of airlines sharing common computer reservations systems (CRS), to enable them to win bigger shares of the rapidly expanding passenger market. In the US, American Airlines has evolved the Sabre system, and Delta is marketing its Datas; Northwest and Trans World have the Pars system; Texas Air has System One, and United has Covia/Apollo. Pars is to be combined with the Canadian Gemini system, owned by Air Canada and Canadian Airlines International.

Elsewhere, the Abacus CRS includes Cathay Pacific, Singapore Airlines and Thai International. Amadeus takes in Air France, Air Inter, Braathens of Norway, Emirates, Finnair Iberia, Icelandair, JAT and Adria of Yugoslavia, Linjeflyg of Sweden, Lufthansa, SAS and Texas Air.

Fantasia includes Japan Air Lines and Qantas of Australia and the Galileo system, Aer Lingus, Alitalia, Austrian, British Airways, Covia (United), KLM, Olympic, Sabena, Swissair and TAP (Air Portugal).

Some of these groups have cross-links, such as Amadeus buying software from Texas Air's System One, and Abacus having links with both Amadeus and Pars. British Airways on its own behalf has bought a stake in United's Covia, although both airlines are also in the Galileo group.

In addition to the growth of these group systems, many of the larger airlines are attempting to develop operational and marketing agreements among themselves. Their aim is to extend their effective areas of operation without actively seeking new routes which might be impossible to win. In the US for example internal domestic routes are jealously preserved for American carriers.

Jan Carlzon: moving SAS's base in US to Newark

SAS has long sought to widen its sphere of influence, with talks on amalgamation with Sabena of Belgium, and late last year by seeking a big share stake in the then-ailing British Caledonian.

Thwarted in both ventures, especially by BA buying BCal, SAS has looked elsewhere. It is discussing purchase of a 40 per cent equity stake in Aerolineas of Argentina, while it is also reported to be among airlines, including Air France and Iberia, interested in acquiring stakes in Pluna of Uruguay and Varig of Brazil.

SAS also has a close relationship with Thai International, and is working to achieve closer ties with Qantas of Australia.

The SAS-Texas Air deal, involving a $100m investment in Texas Air by SAS, with Mr Jan Carlzon, SAS president, joining the Texas Air Board, will involve SAS moving its US base from Kennedy Airport, New York, to Newark, New Jersey, to benefit from direct links with a large number of US cities served by Continental, a Texas Air subsidiary, which also extensively serves the Pacific Basin.

As a result Texas Air group will benefit from SAS passengers who want to fly on to other destinations in the US and even the Pacific region.

The SAS-Texas Air arrangement thus rivals in scope the extensive marketing deal reached nearly a year ago between British Airways and United Air Lines of the US.

In the latter, although there was no direct financial investment involved, each airline agreed to promote and sell seats on the other, and to share facilities in such centres as Seattle, Washington and New York, co-ordinate schedules, and offer joint-pricing and joint marketing programmes.

An intrinsic part of the BA-United agreement involves "code-sharing" — listing certain flights in their respective computer reservations systems as joint BA-United operations, thereby gaining bigger market shares.

The result has been effectively to create a large global airline operation, marrying BA's extensive Atlantic, European, African, Middle East, South American, South-East Asian and Far Eastern networks with the big United network throughout the US and the Pacific Basin.

This will now be rivalled by the SAS-Texas Air operation, which will become even bigger if the SAS's plans for South American links come to fruition.

But BA has also made clear that it intends to continue widening its own sphere of influence, and that other marketing deals, or acquisitions, with other airlines are being actively being pursued.

BA recently bid for a stake in Air New Zealand. This remains on the table, while the New Zealand Government explores closer ties between ANZ and Qantas of Australia. BA is also discussing marketing arrangements with other airlines, one of which is understood to be Lacsa of Costa Rica.

Enichem unveils spectacular rise in profit

By Alan Friedman in Milan

MR LORENZO Necci, chairman of Italy's state-owned Enichem chemicals group, yesterday unveiled *some spectacular* profits for the first half of 1988 and issued a strongly-worded call for Europe-wide rationalisation in the chemicals sector.

A continuing drop in raw material costs and buoyant demand for base chemicals and petrochemicals contributed to a L261bn ($188m) net profit at Enichem in the first six months of this year, which is double the net profit Enichem made in the whole of 1987 and compares with a L32bn loss in the first half of last year.

Like the private sector Montedison, which recently unveiled its own sharp profits rise, Enichem is reaping the benefits of a generally improved world market in petrochemicals and specialty *chemicals*.

Enichem's profit increase was struck on the back of a 19 per cent rise in consolidated revenues, to L3,558bn ($2.5bn). The bulk of this rise in turnover came from base chemicals and plastics, which accounted for 51 per cent of Enichem revenues in the first half.

Another key contributor to Enichem profits was the European Vinyls Corporation (EVC), the joint-venture polyvinyl chloride (PVC) producer that was formed in 1986 with Britain's Imperial Chemical Industries (ICI). Enichem took 50 per cent of the L180bn of pre-tax profits made by EVC in the first six months of 1988, on L540bn of turnover. This result compared with a total EVC profit of just L20bn on L450bn *of PVC sales in the first half of* 1987.

Around 40 per cent of Enichem turnover came from sales outside of Italy.

The company's synthetic fibres and fertilisers divisions remained in loss in the first six months, although Enichem said these losses amounted to less than L10bn. Enichem's debt burden — net of cash balances in banks — stood at L1,900bn.

Mr Necci said that after years of restructuring, the drop in oil prices and other raw materials costs was now giving Enichem "fabulous operating margins, the highest ever." He claimed that Enichem's performance was in line with the return realised by competitors in other countries. The company only achieved its first break-even result in 1986.

While declaring the outlook extremely favourable Mr Necci took pains to demand that the European chemicals industry undergo further restructuring. "There are more than 16 producers of PVC in Europe today, with only five or six in the US. There are decisively too many PVC producers in Europe and much more Europe-wide rationalisation is needed."

The only subject Mr Necci was not prepared to discuss yesterday was the state of play on the joint venture chemicals company that will be created next January by merging Enichem with part of Montedison.

Tyco Labs to sell Mueller for $366m

INVESTCORP, a Bahrain based bank, has arranged the sale of Mueller, a leading maker of valves, hydrants, pumps and fittings in the US and Canada, to Tyco Laboratories for $366m.

Mueller had been jointly owned by its management, which held 30 per cent of the company, and a group of US and international investors arranged by Investcorp, which held 70 per cent. Investcorp said Mueller's sales for the year to November 30 would exceed $390m.

Tyco which makes fire and flow control systems said Mueller's network of 375 independent distributors would combine well with its policy of selling through wholesalers.

Group Precious Metal Mining Companies' Reports for the quarter ended 30 September 1988

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 30 Sept. 1988	Quarter ended 30 June 1988
OPERATING RESULTS		
Gold – East Driefontein		
Ore milled (t)	730 000	705 000
Gold produced (kg)	8 349,0	7 966,5
Yield (g/t)	11,5	11,3
Price received (R/kg)	34 147	31 124
Revenue (R/t milled)	386,51	352,14
Cost (R/t milled)	115,71	112,24
Profit (R/t milled)	270,80	239,90
Revenue (R000)	282 151	248 256
Cost (R000)	84 466	79 129
Profit (R000)	197 685	169 127
Gold – West Driefontein		
Ore milled (t)	688 000	720 000
Gold produced (kg)	6 735,5	7 200,0
Yield (g/t)	9,8	10,0
Price received (R/kg)	34 058	31 092
Revenue (R/t milled)	333,86	317,30
Cost (R/t milled)	143,81	129,90
Profit (R/t milled)	190,05	187,40
Revenue (R000)	229 698	228 459
Cost (R000)	98 945	93 532
Profit (R000)	130 753	134 927
FINANCIAL RESULTS (R000)		
Working profit: Gold	328 438	304 054
Profit/(Loss) on sale of Uranium Oxide and Sulphuric Acid	80	(1 221)
Net mining revenue	328 518	302 833
Recovery under loss of profits insurance	720	—
Net sundry revenue (group)	23 053	19 660
Profit before tax and State's share of profit	352 291	322 493
Tax and State's share of profit	210 936	163 921
Profit after tax and State's share of profit	141 355	158 572
Capital expenditure	39 567	39 908
Dividend	—	244 800

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1988 was R677,7 million.

DIVIDEND. A dividend (No. 30) of 120 cents per share was declared on 7 June 1988 and was paid to members on 3 August 1988.

SHAFTS

East Driefontein

No. 5 Sub-Vertical Shaft-E. The shaft was sunk 74 metres to a depth of 1 151 metres below the collar on 22 Level. 44 Level Station was excavated and supported.

No. 1 Tertiary Shaft-E. All the winder chambers have been excavated and supported. The cross-raise from 34 Level has reached the elevation of the transfer level and a start has been made on the excavation of this level. Sliping of the headgear portion of the shaft is in progress.

West Driefontein

No. 8 Shaft-W. All the fans have been commissioned and the shaft is now fully operational to provide ventilation for the area.

No. 9 Sub-Vertical Shaft-W. The access winze has reached 25 Level elevation. A rock pass from 22 to 21 Level was completed and a start has been made on the excavation of the hoist level (21 Level). Work continues on the 22 Level Station.

PRODUCTION

Production was adversely affected by a fire which broke out on 4 July 1988. The fire was contained and subsequently extinguished by water sprays and foam. The affected faces are being rehabilitated and production should restart during the next quarter. A claim in respect of the loss of production has been lodged with the insurers.

On behalf of the board

6 October 1988 — R. A. Plumbridge, A. J. Wright } *Directors*

Northam

Northam Platinum Limited
(Registration No. 77/03282/06)

ISSUED CAPITAL: 28 800 000 shares of 1 cent each, fully paid.

	Quarter ended 30 Sept. 1988	Quarter ended 30 June 1988
Pre-production Mine Development Expenditure (R000)		
Capital expenditure	31 196	35 983
Net income after tax	2 023	804
	29 173	35 179

All income and expenditure has been capitalised as pre-production mine development expenditure.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1988 was R476,6 million.

SHAFTS

Zondereinde

No. 1 Shaft-Z. The shaft was sunk 257 metres to a depth of 1 277 metres below collar. The development of the intermediate pump chamber was completed.

No. 2 Shaft-Z. The shaft was sunk 110 metres to a depth of 1 487 metres below collar. The stations on 3 Level and 4 Level were excavated and lined. Development to the waste pass position on 3 Level was completed and the waste pass between 2 and 3 Levels was raise-bored.

SHARE CAPITAL. The issued share capital was increased by 14 400 000 shares during the quarter pursuant to the rights offer made to shareholders.

On behalf of the board

6 October 1988 — A. J. Wright, M. J. Tagg } *Directors*

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 800 000 shares of 20 cents each, fully paid.

	Quarter ended 30 Sept. 1988	Quarter ended 30 June 1988
OPERATING RESULTS		
Gold – Droogebult		
Ore milled (t)	36 669	29 347
Gold produced (kg)	111,5	74,6
Yield (g/t)	3,0	2,5
Price received (R/kg)	33 693	31 139
Revenue (R/t milled)	102,62	79,23
Cost (R/t milled)	83,15	76,84
Profit (R/t milled)	19,47	2,39
Revenue (R000)	3 763	2 325
Cost (R000)	3 049	2 255
Profit (R000)	714	70
Gold – Surface sources		
Ore milled: from surface dumps (t)	88 956	107 959
from outside sources (t)	84 375	72 694
Total milled (t)	173 331	180 653
Gold produced (kg)	175,4	187,3
Yield (g/t)	1,0	1,0
Price received (R/kg)	33 693	31 139
Revenue (R/t milled)	34,09	32,31
Cost (R/t milled)	32,55	28,13
Profit (R/t milled)	1,54	4,18
Revenue (R000)	5 909	5 838
Cost (R000)	5 642	5 082
Profit (R000)	267	756
FINANCIAL RESULTS (R000)		
Working profit: Gold	981	826
Net sundry revenue	217	193
Profit before tax	1 198	1 019
Tax: Formula tax	186	281
Non-mining tax	2	(6)
Profit after tax	1 010	744
Capital expenditure	495	600
Dividend	—	1 020

CAPITAL EXPENDITURE

(a) The unexpended balance of authorised capital expenditure at 30 September 1988 was R1,7 million.

(b) The expenditure for the quarter ended 30 September 1988 relates mainly to Droogebult.

DIVIDEND. A dividend (No. 84) of 15 cents per share was declared on 7 June 1988 and was paid to members on 3 August 1988.

DROOGEBULT PROJECT. The decline advanced 65 metres to a depth of 521 metres. Development is in progress on 3 Level and stoping operations are continuing above 2 Level.

On behalf of the board

6 October 1988 — M. J. Tagg, A. J. Wright } *Directors*

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/05632/06)

ISSUED CAPITAL: 20 200 000 shares of 25 cents each, fully paid.

	Quarter ended 30 Sept. 1988	Quarter ended 30 June 1988
OPERATING RESULTS		
Gold		
Ore milled (t)	405 000	390 000
Gold produced (kg)	1 498,5	1 482,0
Yield (g/t)	3,7	3,8
Price received (R/kg)	34 336	31 345
Revenue (R/t milled)	127,29	119,23
Cost (R/t milled)	110,03	109,87
Profit (R/t milled)	17,26	9,36
Revenue (R000)	51 555	46 503
Cost (R000)	44 563	42 851
Profit (R000)	6 992	3 652
FINANCIAL RESULTS (R000)		
Working profit: Gold	6 992	3 652
Net sundry revenue	1 432	1 386
Profit before tax	8 424	5 038
Tax	2 941	(3 690)
Profit after tax	5 483	8 728
Capital expenditure	1 242	4 930
Dividend	—	10 100

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1988 was R134,6 million.

DIVIDEND. A dividend (No. 96) of 50 cents per share was declared on 7 June 1988 and was paid to members on 3 August 1988.

On behalf of the board

6 October 1988 — M. J. Tagg, A. J. Wright } *Directors*

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/08381/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 30 Sept. 1988	Quarter ended 30 June 1988
OPERATING RESULTS		
Gold		
Ore milled (t)	435 000	435 000
Gold produced (kg)	1 827,0	1 740,5
Yield (g/t)	4,2	4,0
Price received (R/kg)	34 075	31 712
Revenue (R/t milled)	143,31	127,02
Cost (R/t milled)	111,49	111,39
Profit (R/t milled)	31,82	15,63
Revenue (R000)	62 339	55 251
Cost (R000)	48 497	48 454
Profit (R000)	13 842	6 797
FINANCIAL RESULTS (R000)		
Working profit: Gold	13 842	6 797
Net sundry revenue	1 572	1 673
Profit before tax and State's share of profit	15 414	8 470
Tax and State's share of profit	3 737	(5 003)
Profit after tax and State's share of profit	11 677	13 473
Capital expenditure	6 044	8 073
Dividend	—	20 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1988 was R113,6 million.

DIVIDEND. A dividend (No. 75) of 50 cents per share was declared on 7 June 1988 and was paid to members on 3 August 1988.

On behalf of the board

6 October 1988 — M. J. Tagg, A. J. Wright } *Directors*

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 30 Sept. 1988	Quarter ended 30 June 1988
OPERATING RESULTS		
Gold		
Ore milled (t)	366 000	363 600
Gold produced (kg)	1 747,1	1 928,1
Yield (g/t)	4,8	5,3
Price received (R/kg)	33 995	31 852
Revenue (R/t milled)	162,53	169,09
Cost (R/t milled)	149,67	140,71
Profit (R/t milled)	12,86	28,38
Revenue (R000)	59 487	61 481
Cost (R000)	54 779	51 163
Profit (R000)	4 708	10 318
FINANCIAL RESULTS (R000)		
Working profit: Gold	4 708	10 318
Net sundry revenue	1 559	1 605
Profit before tax and State's share of profit	6 267	11 923
Tax and State's share of profit	786	820
Profit after tax and State's share of profit	5 481	11 103
Capital expenditure	6 427	5 980
Dividend	—	10 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1988 was R101,5 million.

DIVIDEND. A dividend (No. 63) of 25 cents per share was declared on 7 June 1988 and was paid to members on 3 August 1988.

On behalf of the board

6 October 1988 — A. J. Wright, M. J. Tagg } *Directors*

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 30 Sept. 1988	Quarter ended 30 June 1988
OPERATING RESULTS		
Gold		
Ore milled (t)	540 000	540 000
Gold produced (kg)	7 235,5	7 290,0
Yield (g/t)	13,4	13,5
Price received (R/kg)	33 968	31 936
Revenue (R/t milled)	455,92	431,96
Cost (R/t milled)	157,71	152,41
Profit (R/t milled)	298,21	279,55
Revenue (R000)	246 197	233 256
Cost (R000)	85 163	82 300
Profit (R000)	161 034	150 956
FINANCIAL RESULTS (R000)		
Working profit: Gold	161 034	150 956
Net sundry revenue	6 849	6 665
Profit before tax and State's share of profit	167 883	157 621
Tax and State's share of profit	42 048	21 369
Profit after tax and State's share of profit	125 835	136 252
Capital expenditure	90 501	107 274
Dividend	—	96 880
Issue of debentures	16 350	—

CAPITAL EXPENDITURE.

(a) The unexpended balance of authorised capital expenditure at 30 September 1988 was R950,5 million.

(b) Included in the total of capital expenditure for the quarter ended 30 September 1988 is an amount of R64,1 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 37) of 80 cents per share was declared on 7 June 1988 and was paid to members on 3 August 1988.

DEBENTURES. A further call of R6 per debenture was made on the holders of the partly paid unsecured convertible debentures and was paid on 1 July 1988.

SHAFTS

Kloof

No. 4 Sub-Vertical Shaft-K. Pre-sinking operations have reached a depth of 72 metres below the collar on 23 Level. Equipping of the headgear is currently in progress.

Leeudoorn

No. 1 Shaft-L. The shaft was sunk 80 metres to a depth of 1 865 metres below collar. 23 Level Station has been established and a holing has been effected with development from the Kloof Division.

No. 1 Sub-Vertical Shaft-L. The headgear portion of the shaft was sliped to a depth of 83 metres below the bottom of No. 1 Ventilation Shaft-L. The belt level is being established and excavation of the hoist chambers is in progress.

On behalf of the board

6 October 1988 — C. T. Fenton, M. J. Tagg } *Directors*

Deelkraal

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 30 Sept. 1988	Quarter ended 30 June 1988
OPERATING RESULTS		
Gold		
Ore milled (t)	405 000	390 000
Gold produced (kg)	2 430,0	2 296,0
Yield (g/t)	6,0	5,9
Price received (R/kg)	34 048	31 074
Revenue (R/t milled)	204,63	183,20
Cost (R/t milled)	99,20	95,06
Profit (R/t milled)	105,43	88,14
Revenue (R000)	82 875	71 451
Cost (R000)	40 176	37 075
Profit (R000)	42 699	34 376
FINANCIAL RESULTS (R000)		
Working profit: Gold	42 699	34 376
Net sundry revenue	3 148	2 670
Profit before tax and State's share of profit	45 847	37 046
Tax and State's share of profit	2 962	1 188
Profit after tax and State's share of profit	42 885	35 858
Capital expenditure	13 986	22 332
Dividend	—	44 793

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1988 was R220,2 million.

DIVIDEND. A dividend (No. 11) of 45 cents per share was declared on 7 June 1988 and was paid to members on 3 August 1988.

No. 3 SHAFT

Pre-sinking operations have reached a depth of 78 metres.

The man winder has been installed and is being commissioned. Preparations are underway to change over to full-scale sinking operations.

On behalf of the board

6 October 1988 — A. J. Wright, M. J. Tagg } *Directors*

GOLD FIELDS
OF SOUTH AFRICA LIMITED

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INTERNATIONAL COMPANIES AND FINANCE

Valeo in drive for critical mass

Paul Betts on acquisitive ambitions at the car components group

Valeo's hostile FFr2.4bn ($378.5m) bid for 60 per cent control of Epeda-Bertrand Faure marks a significant new chapter in France's long and arduous effort to secure a strong and concentrated independent French car components industry.

Since the early 1970s and with the strong encouragement of the French authorities, Valeo has been at the centre of a broad restructuring of the French car components sector.

Before falling two years ago under the management control Mr Carlo De Benedetti, the Italian businessman, the French group had absorbed a series of domestic car components companies, including SEV-Marchal, Paris-Rhône, Motorola-Alternateurs and Ducellier.

The bid for Epeda, the leading French car seat manufacturer, is also part of the general strategy to build up Valeo's critical mass while rationalising further the French industry through greater concentration.

But Mr Noel Goutard, the tough former Schlumberger and Thomson executive appointed by Mr De Benedetti two years ago to run Valeo, has emphasised significant differences between the Epeda bid and the rationalisations and acquisitions of the past.

Until now, Valeo had largely absorbed companies with operations similar to its own, leading to costly rationalisations and internal restructuring which weighed heavily on Valeo's balance sheet and financial performance.

"But with Epeda we would not need to launch any new expensive restructuring because our activities are complementary," Mr Goutard said.

He added that Valeo, unlike Epeda, did not make car seats, while the other activities of the takeover target – including luggage and bedding and military equipment – were also of interest to the group.

Mr Goutard explained that

Noel Goutard: speed is a strategic element

car manufacturers were now increasingly looking for strong independent car component suppliers which could provide not just single components for car-plant assembly but entire packages and systems for specific sections of a vehicle.

Epeda, he said, was an undisputed leader in this field in Europe, both in terms of volume (its car seat sales total about FFr4bn a year) and in terms of technology and manufacturing processes.

Apart from the good business fit, Epeda also fulfils Mr Goutard's other key objective.

"Volume and market share are vital in this industry," he stressed. The two factors could support the growing need for bigger investments and research and development by car components manufacturers.

He added that components groups must also adapt to a sharp increase in the number of new models produced by car manufacturers. At the same time, the big car groups were keen to see their main components suppliers establish manufacturing operations close to their car assembly plants.

Mr Goutard has wasted little time in both strengthening Valeo's financial base and expanding its car components operations.

"Speed," he said, "is also a strategic element."

When he took over, the company was in fragile financial shape as a result of years of costly restructuring and soft management.

His strategy was, in his words, "simple" – clean up the balance sheet and complete the restructuring while simultaneously boosting the business through internal growth, joint ventures and acquisitions.

The financial recovery was achieved in barely 18 months. Sales in the last two years have grown from FFr12bn in 1986 and 1987 to an estimated FFr16bn this year.

Valeo has just reported first-half profits of FFr535m compared with profits of FFr440m for the whole of last year and a loss of FFr388m in 1986. Debts have fallen from about FFr3.5bn two years ago to a little over FFr500m.

Mr Goutard has also completed the recentring of Valeo's activities around its core car components business. "Our business today is 100 per cent in cars. When I took over, 10 per cent of our sales were still outside the automobile sector."

At the same time, investments have climbed from less than FFr500m in 1986 to some FFr1.5bn this year, about 10 per cent of sales. Spending on research and development has risen from 3 per cent to 4 per cent of total sales.

And although sales have risen sharply, the workforce has remained at the same level as two years ago.

Although Valeo now ranks as the second largest car components group in Europe, after Bosch of West Germany, Mr Goutard said his company remained a "relative gnome" in the world league.

"We are in a global industry and the car makers are all global companies."

"With FFr16bn sales we are microscopic when you consider that the total sales of the European car components industry currently total about FFr420bn and that it is likely to grow into a FFr600bn industry in Europe over the next 10 years."

Mr Goutard said Valeo's annual sales must be set against Bosch's FFr65bn sales in the car components sector alone; Nippon Densu with FFr51bn; General Motors' components business with FFr144bn sales, of which FFr12bn originate in Europe; and Magneti-Marelli's FFr15bn sales (although these are backed by its Fiat parent, which has total group sales of FFr175bn).

It was for this reason that Mr Goutard immediately launched his expansion programme.

Since appointed to run Valeo, he has absorbed the radiator, car cooling and heating systems businesses of the French Chausson group, acquired Nieman, another French components company, and invested in ventures in Turkey and South Korea.

The Epeda takeover should boost Valeo's sales by a further FFr7.5bn to about FFr23.5bn, as well as bring into the group's mix of activities products such as car seats and exhausts.

But Epeda's management has not appreciated Valeo's unsolicited approach.

The company is organising its defences and claimed this week to have secured the backing of key shareholders accounting for 42 per cent of its capital.

The battle is likely to be fierce, especially since Mr Roger Fauroux, the French Industry Minister, has decided not to intervene in the affair and to let the market settle the outcome. But, if at the end of the day, Mr Goutard is thwarted in his bid, it is unlikely to discourage him from going on the takeover prowl again in his efforts to build up Valeo's critical mass.

Build-up of stake denied by Paribas

By Paul Betts in Paris

PARIBAS, THE French privatised financial and banking group, described yesterday as "complete fiction" a series of rumours suggesting that the Pargesa-Bruxelles-Lambert group led by Mr Gerard Eskenazi and Mr Albert Frère had built up a stake of between 17 and 20 per cent in it.

Both Paribas and Parfinance, the French subsidiary of Pargesa, insisted that Pargesa had only increased its stake in the Paribas group of hard-core shareholders from an initial 0.6 per cent to 2.7 per cent. The hard-core shareholding group currently accounts for 25 per cent of Paribas' capital.

The rumours have agitated the Paris bourse. They are widely seen as an attempt to destabilise and unsettle the French financial group, which was privatised under the previous right-wing government and its present leadership.

Similar manoeuvres are targeted at other leading French groups, fuelled by personal ambitions and efforts to unsettle core shareholding structures set up under the previous right-wing government.

Notwithstanding the denials, Paribas and Pargesa are clearly studying ways to strengthen their existing collaboration. The two groups have long-standing historical links and Mr Eskenazi, a former Paribas managing director, and Mr Michel Francois-Poncet, the Paribas chairman, have strong personal ties.

Paribas confirmed yesterday that it would welcome closer links between the two groups but emphasised that each group wanted to maintain and respect its own identity and independence. Paribas and Pergesa are already linked, for example, in Paribas-Suisse, the Swiss subsidiary 60 per cent controlled by Paribas in which Pargesa owns a stake of about 30 per cent.

Paribas is now expected to intensify efforts to re-establish a network of alliances with key international financial groups as an integral part of its long-term strategy. This would clearly imply strengthening the links with Pargesa and Mr Eskenazi.

This had been one of the key aspects of Paribas' strategy before it was nationalised by the left in 1982. The French financial and banking group had established a large network of alliances with groups like Warburg in the UK, Power Corporation of Canada, and with a Hong Kong partner.

Th bank's system of building up international alliances was interrupted by the nationalisation and is now beginning to be re-activated following the privatisation of Paribas at the beginning of last year.

Paribas also indicated yesterday that it would report a strong rise in first-half profits at the end of this month.

Arbed posts sharp recovery mid-stage

By William Dawkins in Brussels

ARBED, THE Luxembourg-based iron and steelmaker, yesterday unveiled a sharp turnround into profit for the first half of 1988 and forecast that full-year results would show a continued improvement.

Its swing to a LFr635m ($16.2m) net profit against a LFr1.7bn loss in the 1987 first half indicates that the upturn in European steel demand is spreading from flat products to long sections – mainly for the construction industry – in which Arbed specialises.

The announcement comes a day after the publication of European Commission estimates that crude steel production in the European Community would rise 6 per cent this year to 133m tonnes.

However, Arbed's results also reflect a record improvement in productivity, an average of 4.6 man hours per tonne of finished steel against the previous best of 4.9 man hours per tonne set in 1985.

This was partly due to a reduction of 675 in the workforce since the start of the year, bringing the number of employees down to 11,571. This represents well under half the total which existed before the steel industry entered the last recession 10 years ago.

Turnover rose 8.2 per cent to LFr27.2bn, from LFr25.1bn in the comparable period. Most of the improvement came from a 7 per cent rise in deliveries to 1.9m tonnes, running ahead of the 4.1 per cent increase – to 1.8m tonnes – in production of finished steel. Cash flow advanced from LFr564m to LFr2.4bn.

Mr Emmanuel Tesch, group president, said: "If the improvement in steel demand was limited at the outset to flat products, which have benefited above all from the boom in the car industry, long products are now reacting well to the advance of the building and investment goods industry."

However, he warned that the upturn "still conceals the structural problems that steel must surmount if it is to tackle the decline in demand that will inevitably take place."

Hoechst to raise payout

By Our Financial Staff

HOECHST, THE West German chemicals and pharmaceuticals group, said yesterday it would increase its regular dividend for 1988, but did not specify how much it will pay.

In 1987, the group paid shareholders a dividend of DM10 ($5.37) a share plus a bonus of DM1 to celebrate the company's 125th anniversary.

Yesterday's announcement, made in Paris, confirmed market speculation that Hoechst would incorporate the bonus into its regular dividend this year.

Christiania Bank increases operating profit

By Karen Fosall in Oslo

CHRISTIANIA BANK, one of Norway's largest banks, lifted its eight-month operating profit before provisions to NKr879m ($127.5m) from NKr712m in the same period last year, with help from improved interest rate margins and reduced costs.

But in spite of unchanged loan volume, the bank was still forced to make write-offs of NKr650m in the period, against NKr637m in 1987. Although interest rate margins have improved this year, Christiania said trends indicated that prospects were not good as regards realisation of any gains in the securities portfolio.

On loans, the bank said difficult conditions meant that the quality of some of its loans had changed more rapidly than had previously been the case.

For the year as a whole, Christiania expects losses on loans and guarantees to remain near 1987's NKr956m.

CORRECTION

Norwegian banks

THE NKr5.95bn of losses forecast for the Norwegian banking sector this year compare with a deficit of NKr4.33bn in 1987, not NKr3.1bn as stated in a story of October 5 and a feature yesterday.

INTERNATIONAL COMPANIES AND FINANCE

Ariadne restructures after worst loss in Australian history

By Chris Sherwell in Sydney

ARIADNE AUSTRALIA, the entrepreneurial investment group badly hurt by last October's stock market crash, yesterday reported the worst corporate loss in the country's history and promised further tough rationalisation.

Figures for the year to June showed a net loss of A$640m (US$506.9m) for the group, which was once controlled by Mr Bruce Judge, a New Zealand entrepreneur. The outcome compared with profits the previous year of A$142.2m and represented a widening of the first-half deficit of A$509m. Revenues for the year rose 38 per cent to A$1.65bn.

Because of a series of recent asset sales — including the Sanctuary Cove resort development in Queensland for A$341m and the Repco automotive parts business for A$256m — the group's overall debt to 31 banks is expected to be under A$400m by the end of 1988, down from A$1.3bn at the time of the crash.

But Mr Barry Capp, Ariadne's chairman, said yesterday that cash flows from the group's remaining businesses would still not support such a level of debt, and a further reduction to about A$200m would be necessary.

The board is reviewing which remaining assets will be sold. The options include various industrial interests, in particular the Alkair equipment hire and waste management business, and property interests in south-east Queensland and the US West Coast.

Ariadne also has financial investments in Southern California Savings and Loan Association in the US, Renouf Corporation in New Zealand and Impala Pacific in Hong Kong.

Mr Capp said that the further loss in the second half was "largely attributed to the continuing high interest costs and additional writedowns, particularly in respect to Renouf Corporation."

Notes accompanying the accounts show the group wrote down its investments by A$527m and wrote off A$72m worth of non-recoverable receivables. Almost A$269m of the writedowns came on the 36 per cent Renouf stake. Another A$108.5m related to Ariadne's 36 per cent of Impala, and a further A$77.6m centred on an 11 per cent holding in Judge Corporation in New Zealand.

The rest came from A$42m worth of writedowns on other listed investments and a bad debt write-off of A$43.4m to a company called Willand, thought to be associated with Mr Judge. The Willand transaction is the subject of an investigation by the National Companies and Securities Commission, Australia's share market watchdog.

The group is now estimated to have shareholders' funds, excluding minority interests, of some A$335m, on the assumption that the contracted asset sales proceed to settlement.

However, the directors, who recommended no dividend, acknowledged yesterday that there was still a long way to go before Ariadne achieved viability, and that the company's future ownership remained unsettled.

Mr Judge is in the process of acquiring a 19.9 per cent stake. Mr Malcolm Edwards, Ariadne's deputy chairman, holds about 18 per cent through his Essington group.

GFSA profit hit by drop in gold production and higher tax rates

By Jim Jones in Johannesburg

LOWER GOLD production, higher costs and a greater overall tax charge overwhelmed the effects of higher rand gold prices and led to a drop in September quarter net profits for the six gold mines managed by Gold Fields of South Africa (GFSA), the local affiliate of the UK's Consolidated Gold Fields.

In Johannesburg yesterday Mr Alan Wright, director of the GFSA gold division, was reluctant to discuss the implications of the mines' performances on the bid in London for Gold Fields by Minorco, the overseas arm of South Africa's Anglo American mining house.

Driefontein Consolidated, the largest of the group's mines, is considered a crucial element in Gold Fields' defence. Through an unlisted company called Asteroid it and GFSA share equal ownership of 16.1m Gold Fields shares, or 7.6 per cent of the British company.

Asteroid borrowed abroad to finance the purchase and, converted at the financial rand exchange rate, Drie Cons' share of that liability was R353m on its latest June 30 year-end against R176m a year earlier. After allowing for this debt increase Drie Cons' directors valued the interest in Asteroid at an unchanged R42.3m by that date.

Gold production at Drie Cons dropped as a fire affected operations. In contrast, Deelkraal increased its milling rate and gold recovery grade, and Mr Wright hopes the new six grams/tonne (g/t) grade will be sustained.

GOLD FIELDS OF SOUTH AFRICA QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Sep 88	June 88	Sep 88	June 88	Sep 88	June 88
Deelkraal	2,430	2,296	42.9	35.9	29.0	13.6
Doornfontein	1,747	1,928	5.5	11.1	−2.4	12.8
Drie Cons	14,985	15,167	141.4	158.6	49.9	48.4
Kloof	7,236	7,290	125.8	136.3	29.2	23.9
Libanon	1,827	1,741	11.7	13.5	14.1	13.5
Venterspost	1,499	1,482	5.5	8.7	21.0	18.8
Vlakfontein	287	262	1.0	0.7	7.6	2.1

Earnings per share calculated after tax and capital expenditure.

Bond moves to take HK arm private

By Michael Marray in Hong Kong

MR ALAN BOND tried yesterday to remove Bond Corporation International (BCI), the Hong Kong-listed subsidiary of his Australian corporate empire, from public hands less than two years after the company arrived with much fanfare on the territory's stock market.

During this time investors have seen several large acquisitions and asset disposals, occasionally volatile share price movements, and brushes with the local regulatory authorities.

Mr Peter Lucas, BCI managing director, said yesterday that, with the Hong Kong market in the doldrums and BCI's share price trading at a discount to net asset value, the rationale for having a listing in the territory had disappeared.

Mr Lucas estimated that BCI's net asset value stood was HK$2.81 on June 30. He said raising capital through the stock market was difficult in the current environment, and expansion through borrowing would only lead to charges of overgearing.

No details of the offer to holders of BCI shares and warrants have yet been announced. The Australian parent holds 68.2 per cent of BCI, trading in which was suspended yesterday at HK$1.49 to give market capitalisation of about HK$1.8bn (US$230.8m).

BCI's main Hong Kong assets are its stake in the HK-TVB television station and 50 per cent of the Bond Centre, a prime office building in the Central financial district, which Mr Lucas described as a long-term asset.

The Hong Kong Government will soon rule on BCI's holding in HK-TVB, which was acquired shortly after its listing in January 1987. BCI held 27 per cent in November when new rules concerning foreign ownership were announced, and now has a 31 per cent stake.

It is anticipated that it will have to reduce its holding only to the November level and will not be caught retroactively by the 10 per cent limit on foreign ownership.

● Bell Group, 74 per cent owned by Bond Corporation Holdings and the former flagship of the Perth-based Mr Robert Holmes à Court, has sold two construction materials units to CSR, the Australian resources company, Reuter adds from Sydney.

No price was disclosed for Sellars Holdings, for which Bell paid A$38m (US$30m), and West Moreton Industries, which cost about A$15m.

Rights issue launched by Malaysia's D and C Bank

By Wong Sulong in Kuala Lumpur

DEVELOPMENT and Commercial Bank of Malaysia is to raise 127m ringgit (US$47.3m) through a one-for-two rights issue to improve its capital gearing and to finance expansion.

It will be the second capital injection in less than 18 months. The bank raised 67.8m ringgit through a rights issue in July last year.

The latest issue amounts to 169.5m shares at 75 cents each. After the exercise, the bank's paid-up capital will increase to 254.25m ringgit comprising 508.5m shares.

D and C Bank also announced that, for the first six months to June, it recorded a pre-tax profit of 5.3m ringgit, down by 2 per cent, on operating revenue which fell by 18 per cent to 124.8m ringgit.

At Roxy Electrical Industries, a financially troubled investment group which holds 33 per cent of D and C Bank, shareholders voted to exempt United Industrial Corporation of Singapore from making a cash offer in the event of UIC obtaining general control of Roxy.

Roxy is proposing a one-for-one rights issue to raise 135.6m ringgit, and UIC has obtained rights entitlements from some main Roxy shareholders. Also, it is to sub-underwrite the rights issue in full so that it is likely to end up with more than 33 per cent of the enlarged capital which would require a general offer under Malaysian takeover rules.

However, Malaysian regulatory authorities have agreed to waive the need for a general offer if Roxy shareholders exempt UIC from making one.

Mitsubishi Motors to be floated on Tokyo market

By Tony Jackson in Tokyo

MITSUBISHI MOTORS (MMC), Japan's fourth biggest car maker, is to be floated on the Tokyo Stock Exchange by the end of this year, according to market operators. The flotation, one of the largest seen in Japan, could value the company at up to Y700bn ($5.25bn).

Because of its size, MMC is to be granted an immediate listing on the first section of the Tokyo Exchange, rather than be obliged to start on the junior second section. The only other company to have been granted this dispensation is the giant Nippon Telegraph and Telephone, which is due to sell a further tranche of its shares this month.

Among Japanese car makers, MMC ranks fourth behind Toyota, Nissan and Honda in sales revenue, but ranks third in unit sales. Its major shareholders are Mitsubishi Heavy Industries and Chrysler of the US. In the latest fiscal year, MMC had sales of Y1,753bn, and operating income of Y41bn. Earnings per share were Y15.7, and book value per share was Y213.

Market operators suggested the shares could be floated at between Y700 and Y1,000 each, valuing the company at between $3.7bn and $5.3bn. Some analysts queried the upper figure, since it would represent a multiple of book value double that of other Japanese car makers.

It is not yet known whether the flotation will consist of share sales by the existing holders, or the issue of new capital. Since the motive behind the flotation appears to be the raising of cheap funds to relieve the strain on the company's balance sheet, analysts said a capital-raising exercise could be expected in the near future in any case.

INTERNATIONAL CAPITAL MARKETS

Australian A$ issues hold the focus of attention

By Norma Cohen

US EMPLOYMENT data for September, due out today, have been holding the world's bond markets in thrall all week. Traders expressed amazement at the way in which bonds of several countries have been stymied ahead of the news so uncertain are they of the true condition of the US economy.

Meanwhile, it was the Australian dollar sector of the Eurobond market, the domain typically of small retail investors, that was the focus of attention. Two new issues were launched and several other borrowers are said to be studying the market.

While swap opportunities are available in Australian dollars, they are hardly the optimum that the sector has offered recently. Dealers noted that only one of the day's issues was swapped.

The underlying Australian government bond markets closed up about ¼ points, aided by a rise in gold prices

INTERNATIONAL BONDS

above $400 an ounce. With Australia a major gold exporter, any increase in the price is bound to help the country's mushrooming trade deficit.

IBM Australia Credit Corp issued a A$60m three-year bond bearing a 13⅞ per cent coupon and priced at 101½ to achieve a spread of 50 to 55 basis points over governments. Lead manager of the AAA-rated deal was Westpac Banking Corp which quoted the deal inside fees at less 1.45 per cent bid.

Meanwhile, Montreal Trustco issued a A$50m three-year deal with a 14¼ per cent coupon that has apparently endeared it to retail investors. The securities were priced at 101⅝ and were trading deep inside their 1⅞ per cent fees at less 1.20, according to the lead manager. Mitsubishi Financial issued a new type of security known by the conundrum "Look Back" futures, a series of 200 each put and call warrants.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Final terms fixed on:						
Ryoden Trading(a)‡◆	55	5⅜	100	1992	2¼/1½	Daiwa Europe
CANADIAN DOLLARS						
Royal Bk of Canada◆	100	10⅝	101⅞	1990	1⅛/⅝	RBC Dominion Secs.
AUSTRALIAN DOLLARS						
IBM Australia Cr.◆	60	13⅞	101½	1991	1½/1	Westpac Banking
Montreal Trustco◆	50	14¼	101⅝	1991	1⅞/1	County NatWest
D-MARKS						
Indonesia◆	300	6⅜	100	1993	2/1¼	Commerzbank
Final terms fixed on:						
Banesto Finance(b)‡◆	200	2½	100	1993	2¼/1½	Morgan Stanley
SWISS FRANCS						
Nichimo Corp.(c)§★★	140	(½)	100	1994	1⅝	Handelsbank NatWest
Kyoritsu Ceramic(d)§★★	20	(½)	100	1994	1⅝	Bank Julius Baer
Final terms fixed on:						
Gastec Service(e)§★★◆	60	½	100	1993	n/a	SBC

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ◆Final terms. a) Coupon fixed as indicated. b) Coupon indicated 2½-2⅝. c) indicated put options: 31/3/91 at 108½ to yield 3.921%. d) 31/3/91 at 109 to yield 4.06%. e) Put fixed 20/5/91 at 109⅛ to yield 3.907%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94⅝	−0⅛	+0¼	9.50
All Nippon Air 9¾ 97	100	*†96	96½	0	+0¾	10.02
Amer. Brands 8⅞ 92	150	†96½	97	0	−0½	9.92
A/S Eksportfinans 7⅝ 93	100	†93¾	94¼	+0⅛	+0¼	9.12
A/S Eksportfinans 7¼ 92	150	94⅜	95	0	+0⅜	9.19
Barc. Bk. Fin. 10¼ 89	200	†101⅛	101⅝	0	+0⅛	8.92
B.F.C.E. 7 92	150	93⅝	94⅛	0	+0⅜	9.10
British Telecom 7⅜ 96	250	90⅝	91⅛	0	+0½	9.29
Cal.Natl.Telecom 8½ 93	160	†97	97½	0	+0¼	9.27
Canada 9 96	1000	98¾	99⅜	−0⅜	+0⅜	9.17
Canadian Pac 10¾ 93	100	†102¾	103¼	0	+0¼	9.82
C.C.C.E 7¼ 91	113	†94¾	95¼	0	+0¼	9.07
C.C.C.E 9¼ 95	300	99⅛	99⅝	0	+0½	9.36
C.N.C.A 7¼ 91	150	94⅝	95⅛	0	+0⅜	9.15
Credit Lyonnais 9 91	200	99⅝	100⅛	0	+0¼	9.01
Credit National 8¼ 93	200	96⅛	96⅞	0	+0½	9.17
Credit National 7⅝ 92	100	94⅝	95⅛	+0⅛	+0½	9.10
Credit National 7¼ 91	150	94⅞	95⅜	0	+0½	9.06
Dai-Ichi Kan 9⅝ 92	150	100¾	101¼	0	−0⅛	9.31
Denmark 7⅛ 92	500	94	94½	+0⅛	+0⅜	9.13
E.E.C. 7 91	100	94½	95	0	+0⅛	9.01
E.E.C. 7¼ 93	250	93⅛	93⅝	0	+0⅜	9.12
E.E.C. 8 90	350	98½	99	0	+0½	8.74
E.I.B. 7⅜ 93	100	93½	94	0	+0⅜	9.18
E.I.B. 9⅜ 97	150	99¾	100¼	0	+0⅛	9.37
Elec.De France 9 98	200	96¾	97⅜	0	+0¾	9.46
Finland 7⅞ 97	200	90⅝	91⅛	0	+0½	9.50
Finland 7½ 93	200	93⅝	94	0	+0⅝	9.16
Fins.Exp.Cd. 8½ 92	200	97¾	98¼	0	+0⅜	9.17
Ford Motor Credit 8 91	250	97⅜	97⅞	0	+0¼	9.08
Gen Elec Credit 10¼ 00	200	100⅝	100⅞	0	+0⅛	10.34
G.M.A.C. 8 89	250	99⅛	99½	0	0	0.09
Gen.Mtrs.Corp. 9⅛ 92	200	99⅝	99⅞	0	+0¼	9.22
Halifax BS 9½ 93	200	†100	100½	−0⅛	+0½	9.41
Hoesch 8¼ 97	100	†92¾	93¼	0	0	9.47
Italy 9 90	1000	100½	101	0	+0¼	8.57
L.T.C.B of Japan 8 91	100	97⅜	97⅞	+0⅛	+0⅜	8.96
L.T.C.B. of Japan 8 97	200	90¼	90¾	0	+0¾	9.71
Merceds-Benz Cd. 8½ 95	100	†96	96½	0	−0½	9.28
Metropolis Tokyo 9½ 93	200	101⅛	101⅝	0	+0½	9.07
Morgan Guaranty Tst. 7 90	150	97¼	97¾	0	+0¼	8.88
Norway 8¼ 93	500	98¾	99¼	−0⅛	+0½	9.01
Pepsico Inc 7⅜ 93	200	†93⅝	94⅛	0	+0¼	9.04
Portugal 8¼ 91	300	97⅛	97⅝	0	+0¼	9.45
Prudential Crp. 8¾ 94	125	98⅞	99⅛	0	+0⅜	9.02
Qantas Airways 10⅛ 95	140	103⅞	104⅜	0	+0⅜	9.50
Saskatchewan 10¾ 92	100	104⅛	104⅝	0	+0⅜	9.15
State Bk S Aust 9¼ 93	100	99¼	99¾	0	+0⅜	9.37
Swed Exp Cred 7¼ 91	100	†94½	95	0	+0¼	9.20
Swed Exp Cred 10 92	100	†102	102½	0	+0⅜	9.21
Sweden 7 91	250	94¾	95¼	−0⅛	+0⅜	8.97
Sweden 7 92	250	†94	94½	0	+0½	9.04
Sweden 8¾ 96	200	96⅝	97⅛	−0⅛	+0⅝	9.33
Sweden 8½ 92	200	†98⅜	98⅞	0	+0¼	8.92
Victorian Rep 11⅝ 92	150	106⅝	107⅛	0	+0½	9.23
World Bank 7 92	300	†94¼	94¾	0	+0⅜	8.97
World Bank 9 97	300	98	98½	+0⅛	+0½	9.29
Yasuda Trust Fin 8½ 93	100	96½	97	0	+0¾	9.36
Average price change... On day 0 on week +0⅜						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101	101⅝	0	+0⅝	5.72
Avis Fin.SVS 5⅞ 92	100	100⅛	100⅝	+0⅛	0	5.74
Bank of Tokyo 5¾ 93	100	100⅛	100⅝	+0¼	+0½	5.64
Central BK. Turkey 7 92	200	103⅜	103⅞	0	+0¾	5.95
Commerzbank o/s. 5⅛ 93	300	99⅛	99⅝	−0⅛	−0⅛	5.54
Degussa Int. 6⅛ 97	200	98¾	99½	0	+0¼	6.25
E.I.B 5½ 98	150	96⅛	96¾	0	0	6.00
E.I.B 6 97	300	99⅝	100⅛	−0⅛	+0⅛	6.01
E.I.B. 6⅛ 96	300	101⅛	101¾	0	+0¼	5.89
E.I.B. 6⅛ 97	400	100½	101⅛	0	+0⅜	6.00
E.I.B. 6⅞ 95	300	105⅛	105¾	0	+0¼	5.92
Euro.Coal& Steel 5⅞ 97	175	98⅝	99¼	0	0	6.04
Eurofima 6¼ 96	100	102⅞	103⅜	+0⅛	−0½	5.71
Elec De France 5¾ 97	300	97⅝	98¼	+0¼	+0⅜	6.05
Forsmark Krtg. 5⅛ 93	200	97½	98	+0¼	0	5.71
I.A.D.B. 6 97	200	99¼	99¾	+0¼	+0⅜	6.07
Japan Dev. Bk. 5⅛ 95	300	97	97¾	+0⅛	+0¼	5.86
Japan Finance 5¾ 97	100	96¾	97⅜	0	+0¼	6.21
Ireland 6½ 97	300	100⅜	100⅞	+0⅛	+0⅜	6.39
Korea Dev BK 6⅝ 93	100	102⅝	103⅛	+0⅜	+1⅛	5.86
Malaysia 6¼ 94	150	99⅞	100⅝	+0⅜	+0½	6.19
Nat. West BK. PLC 6 98	300	96⅞	97⅝	+0¼	0	6.39
Nippon Telg.&Tel. 6 95	400	100⅞	101⅛	+0⅛	+0⅜	6.02
Oesters. Kontbk. 5 93	300	97½	98¼	−0⅛	−0⅛	5.56
Portugal 5¾ 92	150	100¼	100⅞	−0⅛	0	5.56
Portugal 6⅝ 95	150	102⅛	102¾	+0⅛	+0¼	6.18
Privatbanken 5¼ 93	150	96⅞	97½	0	−0¼	6.00
Royal Insurance 5½ 92	300	100	100½	+0¼	+0¼	5.41
Soc Cent Nuclear 7⅛ 95	150	103⅞	104⅛	+0⅛	0	6.54
Turkey 6½ 95	500	98	98½	0	−0⅜	6.83
Westlb. Finance 5 93	200	†97¾	98¼	+0⅛	+0½	5.52
World BK. 6¼ 97	600	101⅞	101⅝	0	+0¼	5.95
Average price change... On day +0 on week +0¼						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101¾	102	+0¼	+0½	4.70
Asfinag 5 03	100	†100½	101	−0⅛	−0⅛	4.93
B.F.C.E. 4½ 98	200	†98¾	99	0	0	4.64
B.M.W.Fin.Neth. 5 13	150	†95¼	95½	−0⅛	0	5.34
Britannia B/S. 4¼ 94	100	†98	98¾	+0⅝	+0⅝	4.58
CIR. Int. W/W 3 93	125	†100	100¼	−0¼	−0⅞	2.97
Credit Lyonnais 4¾ 00	100	†97½	98	−0¼	−0¼	5.01
E.I.B 4⅝ 98	150	†99¾	100¼	+0⅛	+0¾	4.62
Fletcher Chall. 4⅞ 98	150	†96¼	97	+0⅛	+0⅛	5.30
Kobe City 4⅝ 98	150	†98¾	99	0	−0¼	4.77
Leeds Perm. B/S. 4⅛ 93	200	†98	98½	0	−0¼	4.56
Malaysia 5¼ 98	100	†98¾	99	0	0	5.40
Maxwell Comm.Crp. 5 95	150	†103	103½	+1½	+0⅝	4.42
Nationwide Ang.B/S. 4 93	200	†97¼	97¾	+0⅝	+0½	4.60
Nippon Telg.&Tel.4¼ 95	200	†99	99½	+0⅛	0	4.38
Oesters.Ktbk. 5 03	75	†99½	100	+0⅛	+0¼	5.02
Rep.National Bk. 4 93	150	†96½	97	+0½	+0¼	4.37
Thailand 4⅝ 95	200	†96	96¼	0	+0⅜	5.32
World Bank 5 03	150	†100	100¼	0	+0¼	4.99
Average price change... On day +0⅛ on week +0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101⅛	101⅝	−0⅛	+0⅛	4.96
Belgium 4⅝ 94	45	97¼	97½	0	+0½	5.17
Canada 4⅞ 92	80	98¼	98½	0	+0¼	4.86
Elec. De France 5⅛ 94	20	99¾	100¼	0	+0⅜	5.12
Ireland 5⅛ 93	30	99¼	99⅝	0	+0⅛	5.24
Norway 5⅛ 95	50	99¼	99⅝	0	+0⅜	5.21
Rep. of Italy 5¾ 92	150	102⅝	102⅞	0	+0¼	4.£3
Sweden 4⅝ 93	50	98¼	98½	0	+0¼	5.02
World Bank 5½ 92	50	102⅜	102⅝	0	+0¼	4.79
Average price change... On day 0 on week +0¼						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	99	99½	+0¼	+0¾	10.44
Alg. Bk. Ned. 5½ 92 FL	150	97¾	98¼	0	0	6.16
Amro Bank 6¼ 92 FL	150	100¾	100⅞	0	0	6.09
Aust.Ind.Dev. 12⅞ 93A$	100	98⅝	98⅞	0	+0⅜	13.28
Barc. Bk. 10¼ 97 £	250	96⅝	97⅛	+0⅜	+0⅜	10.79
BP Capital 9¾ 93 £	100	96⅞	97⅜	+0¼	+0¼	10.55
British Airways 10 98 £	100	94⅛	95	+0¼	+0½	10.90
C.I.B.C.Mort.10¾ 93 C$	100	†99	99½	0	+0¼	10.95
Comm.Bk.Aust. 12⅝ 93A$	100	96⅛	96½	−0⅛	+0⅜	13.55
Coop.Ctr.Rabo.6¼ 93 FL	100	100½	101	+0¼	+0⅜	6.03
Coop.Ctr.Rabo.6 92 FL	200	100	100½	+0⅛	+0¼	5.91
Denmark 7⅞ 92 ECU	100	101⅜	102	−0¼	+0⅝	7.16
Dixons 11 95 £	90	†98¾	99¼	+0¼	+0⅜	11.42
Deut.Bk.Aust.12¾ 95 A$	70	99⅜	99⅞	0	+0½	12.79
Eastman Kodak 13 90 A$	100	98	98½	0	−1⅛	14.07
E.I.B. 7 96 LFr	100	98	99	−0¼	−0¼	7.26
Elec.France 10¾ 95 C$	125	†98¾	99¼	0	+0⅜	10.44
[illegible] 7⅞ 97 ECU	145	97	97½	+0⅛	+0⅜	7.82
Eurofima 7½ 92 FL	50	†104½	105¼	0	0	5.93
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†98	98½	0	+0¼	10.31
Ford Cr.Can.10¾ 93 C$	100	†100⅝	101⅛	0	+0¼	10.45
Gillette Can. 9⅝ 93 £	70	†92⅝	93⅛	+0⅛	+0⅜	11.60
G.M.A.C. 9¼ 93 C$	150	†97¼	97¾	0	+0¼	10.43
G.M.A.C. 9¼ 92 C$	75	†94¾	95¼	0	0	11.05
G.M.A.C Aus. Fin.14 90 A$	50	100⅛	100½	0	+0¼	13.73
Halifax BS 10⅜ 97 £	100	96⅜	97⅜	+0⅛	+0⅜	10.91
Imp Chem Inds 10 03 £	100	96⅛	96⅝	+0⅛	+1⅛	10.46
Inv.Industry Int.10 93 £	60	97⅛	97⅝	+0⅛	+0¼	10.73
Lloyds Bank 10¼ 98 £	150	94⅝	95⅛	+0⅛	+0⅝	11.13
Montreal Tst.10¾ 93 C$	100	†99⅝	100⅛	0	+0¼	10.76
Mtge.Bk.Den. 6¼ 91 FL	100	100½	101	0	0	6.38
Nat. West.Bk.13¼ 92 A$	50	†97⅝	98⅛	0	+0⅛	13.80
Nationwide BS 10⅛ 93 £	75	97½	98⅛	+0⅛	+0¼	10.74
Ned.Midd.Bank 6 92 FL	150	99⅝	100⅛	0	+0¼	6.03
New Zealand 9½ 93 £	100	95⅝	96⅛	+0⅛	+0⅜	10.65
New Zealand 7¾ 93 ECU	200	100	100½	0	0	7.66
Oesters.Ktbk.13⅝ 94 A$	75	100¾	101⅝	−0⅛	+0¼	13.34
Prudential Fin.9⅞ 07 £	150	90⅜	90¾	+0⅜	+0⅜	10.55
Royal Bk.Scot.10⅝ 98 £	125	96⅜	97¼	+0⅛	+0⅜	11.18
Saskatchewan 9⅞ 91 C$	150	†98⅞	99⅜	0	+0¼	10.22
S.D.R. 7¼ 95 ECU	90	99⅛	99⅞	0	+0⅛	7.81
World Bank 5¼ 92 FL	100	99⅜	100	0	0	5.86
World Bank 13¼ 92 A$	100	†100⅛	101	0	+0⅛	13.06
Zentrspk. 13¼ 93 A$	75	98⅜	99⅛	0	−0¼	13.60

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.55	99.60	21/01	10.99
Belgium 91 US	0	100.47	100.57	21/02	9
Britannia 5 93 £	0⅛	99.84	99.89	10/10	10.37
Chase Manhattan Crp.91 US	0⅛	99.62	99.75	22/02	8.94
Citicorp 98 US	†0¼	97.60	97.85	30/11	8.94
EEC 3 92 DM	†0	100.82	100.92	22/02	5.63
Halifax BS 94 £	.1	99.80	99.85	9/11	11.16
Invt. in Industry 94 £	0	99.95	100.05	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.98	100.05	13/01	10.44
Midland Bank 01 £	.1	95.62	96.62	11/02	11.41
Milk Mkt.Brd. 5 93 £	0⅛	99.86	99.91	30/09	10
New Zealand 5 97 £	.07	99.75	99.85	18/11	11.62
New Zealand 5 01 US	0	99.95	100.05	4/02	8.62
State Bk. Nsw. 98 US	.188	100.41	100.51	13/02	8.87
Woolwich Equit.BS. 93 £	0⅛	99.82	99.87	13/10	10.44
Woolwich 5 95 £	0⅛	99.66	99.71	21/11	11.62
Average price change... On day +0.02 on week +0.08					

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	105⅛	106	+1¼	19.73
Alco Health 6¼ 01 US	†7/86	26.25	96	98	+2	3.38
Amer. Brands 7¼ 02 US	9/87	56.7	103⅞	104⅞	0	9.46
Ashikaga Bank 2⅛ 02 US	4/87	967.	126⅛	128	+0⅛	4.94
Asics 5 92 DM	12/83	472.7	187⅝	189	+0⅛	7.54
CBS. Inc. 5 02 US	4/87	200.	95⅝	96⅝	+1¼	9.70
Fujitsu 3 99 US	5/84	1106.	231⅜	232⅝	−6¼	−3.72
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	132⅞	134½	−0⅜	4.28
Land Secs. 6¾ 02 £	6/87	6.72	93⅝	94⅜	+0⅞	10.43
MCA Inc 5½ 02 US	9/87	69.62	80½	81½	+1	23.95
Minolta Camera 2¼ 94 DM	2/86	1004.	98⅜	99¼	−0⅜	27.54
Mitsubishi Bk.1¾ 02 US	9/87	3157.	108⅞	110½	−0⅜	3.75
Mitsui Trust 2⅞ 01 US	10/86	1903.	115⅜	116⅜	−2⅞	1.87
Next Plc 5⅛ 03 £	11/87	4.3	97⅞	100⅞	+0⅛	143.85
Nkl Mgn.Bk.2⅞ 03 US	4/88	804.	104¼	105½	−0⅛	4.61
Onoda Tatekl 2⅝ 02 US	4/87	1310.	171¼	172½	−2⅛	−2.96
Primerica 5½ 02 US	4/87	66.75	66½	67½	−0⅛	58.31
Ranks Hovis 4¾ 03 £	1/88	3.5	112⅞	113⅜	+2⅞	4.19
Redland 7¼ 02 £	1/87	5.4	88⅝	89⅝	+0⅛	13.24
Saatchi&Stchi 6¾ 03 £	†10/89	4.41	97½	98½	+0⅛	19.72
Texas Inst. 2¾ 02 US	1/87	82.87	73⅝	74⅛	+0⅛	56.73
W.R. Grace 6¾ 02 US	9/87	42.12	79	80	+0⅛	30.66

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Japan sets up study on investment trusts

By Tony Jackson in Tokyo

JAPAN'S Ministry of Finance has set up a study group on the Japanese investment trust industry, which will consider whether foreign securities houses should be allowed into the market. At present, the $375bn industry is controlled by 13 local companies, all linked to Japanese securities houses.

The MoF said it had received informal approaches from several foreign companies, expressing hopes of participating in the market. The study group will also consider whether Japanese banks and insurance companies – also presently barred from setting up investment trusts – should be allowed into the market.

The group's report is expected by the middle of next year.

The MoF said that to allow Japanese banks and insurance companies into the market was more problematic. There are legal and supervisory barriers between the Japanese securities industry and other financial institutions, and there could also be conflicts of interest arising from the fact that banks are major shareholders in many leading quoted companies.

However, observers doubted whether foreign firms could in practice get a foothold in the market. The Japanese investment trust business, like the unit trust movement in the UK, relies heavily on retail sales and distribution. At present, this is handled by the big Japanese brokers through their regional branch networks.

No foreign securities house has the necessary distribution network in place. The Japanese banks and insurance companies do, however, and are eager to gain access to a market which has trebled in value in the past three years.

Rizzoli seeks funds outside Italian market

By Norma Cohen

RCS EDITORI, owner of Rizzoli, the Italian publishing house, has signed an Ecu30m three-year loan with a multi-currency option, the company's first foreign currency borrowing.

The loan is arranged by Gemina Capital Markets, a subsidiary of Gemina, major shareholder of RCS, with the co-operation of Banca Commerciale Italiana.

The loan carries a margin of 20 basis points over London interbank offered rates and a commitment fee of ⅛ per cent. There is a 18-month grace period on repayments, with the balance to be paid thereafter in four equal semi-annual instalments. Drawdown will be within three months of signing.

Manufacturers Hanover has been mandated to arrange a $200m multicurrency loan for Hidro-Electrica Espanola, Spain's second largest electric utility company. The credit is a six-year term loan with repayment in three semi-annual instalments beginning after the fifth year.

The loan is Hidro-Electrica's first borrowing since December 1987 when an enthusiastic reception for a $200m enabled it to raise the total amount to $900m. The market had been effectively shut to Spanish utilities for nearly a year before that after loans to Fuerzas Electricas de Cataluna had to be restructured.

However, when the loan size was increased, the margin on the second $100m tranche was cut to ⅜ from the ½ per cent offered on the initial tranche, causing some griping among bankers.

The margin on the latest loan equals the lower ⅜ per cent offered on the second loan tranche. Fees range from 10 basis points for banks lending $2m to 25 basis points for banks lending $15m or more. Drawdown of funds is to be made within 10 days of signing.

Manufacturers Hanover has also been mandated to arrange a £25m three-year bullet loan for Anglo-Irish Bank, the Dublin-based institution's first time in the international capital markets.

The margin is 50 basis points over Libor with fees of 20 basis points for those banks lending £3m or more. Fees are 15 or 10 basis points for banks lending smaller amounts.

Seperately, Morgan Grenfell has arranged a $200m certificate of deposit programme for Skandinaviska Enskilda Banken, parent company of the largest Nordic banking group.

Swiss 3-month issue

THE Swiss Government is launching a new series of three-month money market certificates totalling around SFr200m ($126m). Subscriptions close on October 11 and payment date is October 13.

US employment jitters unsettle long bond prices

By Janet Bush in New York and Norma Cohen and Stephen Fidler in London

US TREASURY bonds fell slightly in New York yesterday, mostly on nervousness about today's release of the latest US unemployment figures.

Prices closed around ½ point lower at the short end of the yield curve and ⅛ point down at the long end. The Treasury's benchmark 30-year issue was quoted ⅛ point lower to yield 8.95 per cent.

Uncertainty continued about whether a long bond would be auctioned in November's quarterly refunding. The Senate, as expected, started work yesterday on the tax bill to which the long bond authority is attached. However, the Senate version then has to be reconciled with the bill already passed by the House.

Otherwise, bonds continued to track oil prices. In mid-morning business on the New York Mercantile Exchange, crude oil for November delivery was quoted 24 cents a barrel higher at $12.84. Although this was regarded as a technical rally, bonds softened somewhat. Later, crude prices dipped back down again to be quoted 2 cents lower at $12.58 and bonds recovered earlier losses of around ⅛ point.

More fundamentally, the bond market is gearing up for a series of economic figures in the coming week, starting with today's August unemployment report, which could be crucial in the setting of Federal Reserve monetary policy. A majority of US analysts believe interest rates will move higher this year.

The figures, which include September's employment, industrial production, retail sales and producer prices, are expected to provide evidence of a rebound in economic strength last month after a rather subdued August. In addition, next Thursday's trade figures are expected to show a bounce in imports in August from July's depressed level and a widening in the trade gap.

THE FRENCH Treasury auctioned FFr7.85bn of bonds yesterday after previously stating that it would sell between FFr6bn-FFr8bn of bonds.

- It sold FFr4.025bn of 8.7 per cent bonds due 1995 at an average yield of 8.55 per cent compared with the 8.72 per cent yield at the last auction on August 4. The auction was 2.2 times covered.
- It sold FFr2.45bn of 8½ per cent bonds due 2012, at an average yield of 9.14 per cent compared with 9.30 per cent when they were last sold on July 7. The auction was 3.3 times covered.
- It auctioned FFr1.35bn of floating rate notes at an average rate of 87 basis points below the average long-term bond rate, compared with 94 below when the bonds were last sold in August. The sale was 4.4 times covered. A further FFr194m was sold non-competitively.

Dealers in Paris said the size of the auction was at the upper end of expectations, and some were surprised at the amount of long bonds sold. However, the Treasury is said to have told dealing firms last week that it felt the French yield curve was too flat.

The Treasury said yesterday that firms could pay for up to 50 per cent of the newly-auctioned bonds by delivering OATs, renewable treasury bonds issued between June 1983 and 1985 when the present auctioning system was adopted.

Otherwise, prices were little changed to slightly lower, and like most government bond markets, transfixed by today's data.

UK GOVERNMENT gilts closed with gains of up to a half point in what was described as a futures driven rally backed by little retail activity. Certainly, no new economic factors emerged that would account for the bullish sentiment.

On the Liffe, the long-term gilts contract saw one of its most active days in weeks, with 32,656 contracts traded. Dealers said a good portion of the activity could be explained by technical factors – key chart points were breached. But it appeared that several houses were involved in book-swapping activities that might have accounted for the unusually heavy futures activity.

Meanwhile, the index-linked sector, where investors can effectively hedge themselves against rising inflation, was quite active. The Treasury 2½ per cent stock due 2016 closed ⅝ higher at 99⅞ and dealers said it appears that a genuine shortage is developing in that sector. According to dealers, the Bank of England has been making index-linked stock available to market makers upon request, while it has been buying conventional stock.

Indeed, some analysts expect the Bank of England to offer a tap of index-linked stock to the market later today, despite the obvious contradictions for its "full funding" programme, possibly offsetting that with conventional stock purchases.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	8/92	110-23	+8/32	10.14	10.18	10.54
		8.750	9/97	94-10	+14/32	9.72	9.84	10.10
		9.000	10/08	98-11	+17/32	9.07	9.19	9.44
US TREASURY*		9.250	8/98	102-18	-5/32	8.86	9.04	9.02
		9.125	5/18	101-21	-2/32	8.98	9.14	9.06
JAPAN	No 105	5.000	12/97	100.2213	+0.032	4.97	5.04	5.32
	No 2	5.700	3/07	105.2049	+0.297	5.15	5.24	5.58
GERMANY		6.500	5/98	99.7500	+0.050	6.56	6.61	6.67
FRANCE	BTAN	9.000	7/93	101.9180	-0.021	8.47	8.56	8.76
	OAT	8.500	6/97	99.0500	-0.075	8.64	8.77	9.16
CANADA*		9.500	10/98	97.3500	+0.100	9.92	10.12	10.08
NETHERLANDS		6.500	7/98	100.7750	+0.000	6.43	6.51	6.65
AUSTRALIA		12.500	1/98	108.7187	+0.454	11.81	11.94	11.73

London closing. *denotes New York close
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Index arbitrage remains in the doldrums

Dominique Jackson on the post-crash outlook for program trading

ALMOST 12 months after last year's stock market crash, the tally of UK equity market participants who really understand what index arbitrage is and how it works are still vastly outnumbered by those who vaguely recall the technique as one which reportedly contributed to the break-neck speed of the US market fall.

Yet in subsequent studies, index arbitrage was almost universally exonerated as portfolio insurance, and other computer-related trading programs, came in for more sustained criticism. The London Stock Exchange's post crash Quality of Markets report even went so far as to urge greater use of index arbitrage as a way to effect a more efficient means of risk transfer between the cash and derivatives markets.

Despite this plea, there has been no tangible increase in the use of index arbitrage in the 12 months since the crash. If anything, the number of houses actually practising the technique has contracted and the barriers to any further expansion, such as enhanced ability of execution, prohibitive stamp duty and stock borrowing costs, still appear to be firmly in place.

Index arbitrage involves exploiting pricing discrepancies between the value of the cash stocks index and the corresponding index futures contract. Arbitrage opportunities occur, for example, when futures buying forces the price to a premium over the computed fair value of the underlying stocks. Thus, if the FTSE 100 index stood at 1750 and the FTSE future at 1800, arbitrageurs would buy a basket of stocks which adequately reflected the movement of the cash index, at the same time selling the futures contract, locking in a profit equivalent to the original price differential between the two. Conversely, when the future trades at a discount, arbitrageurs buy the future and sell a portfolio of index stock.

Mr Quintin Price, director of options research at James Capel, said: "Increased stock index arbitrage would provide a great boost for the liquidity of the FTSE futures contract which has never been good enough to provide a totally adequate hedging tool when needed. It would also enhance liquidity in the equity market where spreads would subsequently narrow."

Volume in the FTSE future currently reaches a daily average of 1500. Levels would be at least four times this amount if the contract were to reach its full potential as an efficient means of risk transfer.

One of the main factors checking the expansion of index arbitrage is the sheer practical difficulty of executing such large and complex stock transactions. In the US this is done via automated execution systems such as the DOT or Designated Order Turnaround system in operation on the New York Stock Exchange.

Manual execution is difficult to co-ordinate, labour intensive and costly and is probably the single most important reason that index arbitrage in the UK is restricted to specialised securities houses which are market makers in the complete range of stocks which make up the FTSE index.

At one of these houses, Citicorp Scrimgeour Vickers, the whole execution process has been honed down to a hectic few minutes. However, the house has been active in index arbitrage since the practice became feasible in the UK following Big Bang deregulation in October 1986. It is one of the few still practising arbitrage and the only one which continued to do so – at not an insubstantial profit – during last October's crash.

The stock exchange's proposed new SAEF system (Seaq Automated Execution Facility) is the first step towards universal automated execution. However, the system, which is expected to be up and running by the end of this year, will initially be limited to a maximum of 1,000 shares per stock trade – a level deemed too low to have a realistic chance of encouraging greater index arbitrage. Mr David Morton of the stock exchange said that eventual raising of the limit to 5,000 was envisaged.

Non-market makers thinking of using the technique, such as major institutional investors who could utilise it to add value to their portfolios, are also faced with taxation problems. The stamp duty payable by non-market makers eliminates any profitability when the index is within ½ per cent of the future while transaction costs push this up even further.

According to Mr Price of James Capel, other obstacles include the denial of stock borrowing to non-market makers and the lack of off-setting credits for futures positions in the stock exchange capital adequacy requirements. The combined onus of transaction costs, stamp duty and equity spreads means that attempting arbitrage on differentials of less than 1 per cent is rarely worthwhile.

Mr Martin Burton of Citicorp Scrimgeour Vickers said: "Stamp duty is clearly a major inhibiting factor for any non-market maker interested in carrying out pure index arbitrage. Even the index-linked funds which could really be using the process to their advantage have so far shied away from it."

In theory, many of the above barriers to increased index arbitrage could be eradicated fairly simply – such as allowing non-market makers to borrow stock. However, others, such as the stamp duty question, are of a more political nature and are not likely to be resolved in the short term.

Fannie Mae looks overseas for funds

By Stephen Fidler, Euromarkets Correspondent

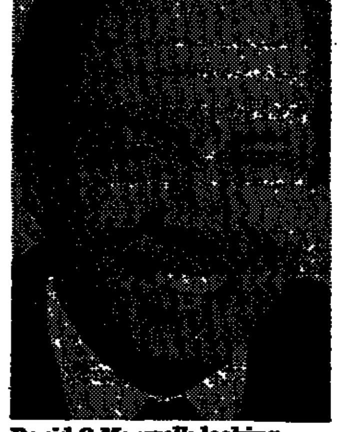
THE Federal National Mortgage Association intends to increase significantly the share of capital that it raises outside the US, chairman and chief executive, Mr David O. Maxwell said.

The association, known as Fannie Mae, is a private corporation federally chartered to provide housing finance. With assets of $109bn and $157bn of its guaranteed mortgage-backed securities outstanding, it is the third largest corporation in the US. In many years, it is the second largest user of the US capital markets after the US Treasury.

Although its debt carries no explicit Federal Government guarantee, its paper is treated by investors as if the US stands behind the organisation.

It has raised $3bn of its outstanding $105bn in debt in bond issues targetted for the international markets, while it estimates a further $3bn of standard domestic FNMA debentures are held outside the US.

Mr Maxwell, who this week completes a two-week tour of Europe, said: "We'd like to see



David O Maxwell: looking abroad for funds

that $6bn double over the next couple of years. It makes no sense for our shareholders to pay more than in the US domestic markets, but we are willing to use those markets overseas when the rate is the same."

A year ago, the company launched a medium-term note programme with the notes offered both to US and European investors. Some $620m of the notes were outstanding domestically and $140m have been placed in Europe.

FNMA also wants to expand the international market in its mortgage-backed securities. "There has been almost no market for mortgage-backed securities outside the US," he said.

This is for two reasons, he said. Non-US investors are not accustomed to the monthly payments of principal and interest which are made by mortgage holders and passed through to investors.

Furthermore, the absolute right of homeowners in the US to prepay mortgages means that when interest rates fall, mortgage prepayments rise sharply. Investors then have to reinvest that principal at lower interest rates. Because of this reinvestment risk, mortgage-backed securities carry a yield premium. FNMA's own debentures carry a yield premium of 30 basis points over US Treasury paper, while its equivalently-rated mortgage-backed issues carry a 100 basis point premium.

Non-US investors are unfamiliar with this. Mr Maxwell said that FNMA believed that it could best increase its sales to foreign investors through new types of mortgage securities, such as REMICs, which allow the repackaging of the cash flows from mortgages in a variety of ways.

After five years of restructuring its portfolio, which now yields a spread of 52 basis points, FNMA considers itself immune from all except the most violent swings in interest rates, Mr Maxwell said. Previously, the shares in the company were regarded as highly sensitive to interest rates.

Dai-Ichi takes stake in Brazil bank after swap

By Our Financial Staff

DAI-ICHI Kangyo Bank has taken 10 per cent of Banco de Investimento do Brasil following a debt-for-equity swap. Dai-Ichi paid for its shares with cruzados received from Brazil's central bank in a swap for $55m of loans to Brazil.

Dai-Ichi has for some time had co-operation agreements. The move solidifies its relations with BIB, said Dai-Ichi yesterday. The bank said the link would relations with Brazilian companies.

Dai-Ichi made its bid at the most recent auction

HK Bank move

HONG KONG Bank of Australia is increasing its Euro-commercial paper programme to $250m from $100m. It will provide the bank with additional flexibility in the funding of its expanding asset base.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 6 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Oct 5: Index No.	Tue Oct 4: Index No.	Mon Oct 3: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (216)	803.51	+0.4	10.74	4.14	11.51	21.51	800.13	788.67	786.18	1015.54
2 Building Materials (29)	1013.77	+0.1	12.09	4.30	10.21	26.51	1013.15	991.22	979.98	1250.72
3 Contracting, Construction (37)	1588.15	+0.1	11.49	3.62	11.15	39.82	1586.32	1567.49	1561.28	1888.41
4 Electricals (12)	2226.81	+0.4	9.04	4.63	13.54	55.75	2219.02	2199.91	2189.14	2612.56
5 Electronics (29)	1715.19	+0.7	10.35	3.65	12.43	40.71	1703.97	1676.12	1686.61	2204.93
6 Mechanical Engineering (57)	419.90	+0.9	10.42	4.25	11.77	12.85	416.32	418.99	418.15	544.56
8 Metals and Metal Forming (7)	498.87	-0.5	9.96	3.96	12.41	10.06	498.34	496.93	487.47	592.99
9 Motors (16)	282.08	+0.4	11.59	4.69	9.95	8.12	281.09	279.29	276.09	408.00
10 Other Industrial Materials (23)	1366.75	+0.5	9.67	4.47	12.22	43.00	1359.61	1345.34	1336.35	1716.27
21 CONSUMER GROUP (186)	1073.71	+0.7	9.36	3.72	13.46	20.92	1065.95	1051.04	1051.94	1373.34
22 Brewers and Distillers (21)	1118.04	+1.1	10.58	3.60	11.93	23.00	1105.67	1103.81	1123.79	1230.83
25 Food Manufacturing (21)	965.60	+0.3	9.16	3.91	13.80	18.95	962.83	953.28	951.55	1042.18
26 Food Retailing (16)	1852.97	+1.2	9.52	3.64	13.87	41.69	1831.48	1820.00	1814.69	2496.50
27 Health and Household (12)	1938.73	+1.1	6.69	2.54	17.25	18.01	1917.76	1876.01	1871.94	2614.54
29 Leisure (30)	1375.82	+0.9	8.94	3.73	14.35	29.97	1363.37	1352.53	1361.34	1474.30
31 Packaging & Paper (17)	539.40	+0.2	10.35	4.83	12.30	13.94	538.57	530.60	532.86	713.47
32 Publishing & Printing (19)	3338.51	+0.5	8.62	4.25	14.49	80.46	3320.74	3302.77	3320.30	5035.15
34 Stores (34)	767.25	+0.1	10.09	4.34	12.08	16.78	766.11	745.89	732.58	1118.24
35 Textiles (16)	509.90	+0.8	13.59	5.44	8.64	12.74	505.82	494.36	495.09	902.44
40 OTHER GROUPS (92)	906.92	+0.7	11.19	4.45	10.90	22.77	901.00	892.46	890.45	1192.48
41 Agencies (19)	1073.51	+0.7	8.69	2.63	14.53	18.08	1065.55	1051.81	1048.81	1742.73
42 Chemicals (22)	1059.81	+0.3	12.05	4.81	9.97	37.81	1055.53	1049.29	1047.82	1542.89
43 Conglomerates (11)	1250.83	+1.4	10.49	4.56	10.90	24.92	1233.41	1220.38	1220.25	1547.81
45 Shipping and Transport (12)	1948.33	+0.9	11.41	4.75	11.27	90.05	1930.53	1902.26	1898.46	2400.75
47 Telephone Networks (2)	979.89	+0.1	11.34	4.55	11.44	28.30	978.82	966.47	961.22	1124.44
48 Miscellaneous (26)	1219.54	+1.8	11.59	4.45	9.83	37.16	1207.66	1202.84	1203.32	1755.75
49 INDUSTRIAL GROUP (488)	971.65	+0.6	10.23	4.03	12.13	22.35	965.60	953.58	952.16	1247.82
51 Oil & Gas (12)	1751.19	+0.4	10.79	6.37	11.07	76.25	1743.62	1741.90	1731.53	2230.44
59 500 SHARE INDEX (500)	1037.99	+0.6	10.30	4.35	12.10	26.85	1031.80	1020.58	1018.43	1331.38
61 FINANCIAL GROUP (123)	695.95	+0.9	–	5.10	–	22.86	689.79	683.41	682.28	890.90
62 Banks (8)	678.37	+0.7	21.20	6.44	6.32	31.13	673.94	666.60	667.81	880.97
65 Insurance (Life) (8)	1013.04	+0.4	–	5.20	–	36.93	1008.59	1003.25	1003.59	1257.93
66 Insurance (Composite) (7)	534.68	+0.6	–	5.84	–	18.56	531.36	527.83	526.31	701.74
67 Insurance (Brokers) (7)	958.74	-0.7	9.30	6.73	13.49	44.40	965.30	936.71	924.35	1273.51
68 Merchant Banks (11)	336.67	-0.2	–	4.37	–	9.20	337.30	334.12	332.55	535.10
69 Property (51)	1229.73	+2.1	5.42	2.68	23.58	16.95	1204.06	1193.43	1188.37	1334.98
70 Other Financial (31)	364.44	+0.6	10.53	5.49	11.94	11.66	362.43	359.60	360.63	599.72
71 Investment Trusts (78)	923.74	+0.9	–	3.07	–	15.75	915.64	907.54	904.60	1202.66
81 Mining Finance (2)	582.03	-0.6	10.50	3.59	10.61	15.67	585.50	585.50	581.06	701.38
91 Overseas Traders (8)	1308.22	+0.7	9.13	4.43	12.80	35.31	1299.21	1295.94	1297.46	1349.74
99 ALL-SHARE INDEX (711)	952.09	+0.4	–	4.41	–	25.42	946.01	937.08	935.09	1218.65

	Index No.	Day's Change	Day's High	Day's Low	Oct 5	Oct 4	Oct 3	Sep 30	Sep 29	Year ago
FT-SE 100 SHARE INDEX ♦	1838.9	+12.6	1840.9	1827.9	1826.3	1807.3	1802.6	1826.5	1829.0	2375.5

FIXED INTEREST

	PRICE INDICES	Thu Oct 6	Day's change %	Wed Oct 5	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.43	+0.19	119.21	–	9.57
2	5-15 years	137.30	+0.37	136.79	–	9.99
3	Over 15 years	148.34	+0.51	147.59	–	11.09
4	Irredeemables	170.25	+0.44	169.51	–	8.04
5	All stocks	134.18	+0.34	133.73	–	10.06
	Index-Linked					
6	5 years	128.47	+0.13	128.30	–	1.81
7	Over 5 years	122.98	+0.38	122.52	–	2.65
8	All stocks	123.25	+0.35	122.82	–	2.57
9	Debentures & Loans	116.93	-0.03	116.96	–	8.66
10	Preference	87.87		87.87	–	4.98

	AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 6	Wed Oct 5	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.68	9.75	9.58
2		15 years	9.31	9.36	9.89
3		25 years	9.01	9.06	9.72
4	Medium Coupons	5 years	10.09	10.17	10.29
5		15 years	9.53	9.59	10.15
6		25 years	9.18	9.23	9.94
7	High Coupons	5 years	10.19	10.27	10.36
8		15 years	9.69	9.74	10.31
9		25 years	9.26	9.31	9.96
10	Irredeemables†		9.01	9.05	9.93
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.23	3.28	3.63
12	Inflation rate 5%	Over 5 yrs.	3.83	3.86	4.28
13	Inflation rate 10%	5yrs.	2.15	2.19	3.68
14	Inflation rate 10%	Over 5 yrs.	3.67	3.69	4.30
15	Debs & Loans	5 years	11.76	11.76	11.64
16		15 years	11.22	11.21	11.48
17		25 years	10.87	10.87	11.31
18	Preference†		10.23	10.23	10.92

♦Opening index 1838.4; 10 am 1837.9; 11 am 1833.8; Noon 1829.1; 1 pm 1832.2; 2 pm 1833.0; 3 pm 1834.0; 3.30 pm 1837.0; 4 pm 1840.2
† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	0	10
Corporations, Dominion and Foreign Bonds	19	0	30
Industrials	487	252	856
Financial and Properties	261	65	337
Oils	25	20	60
Plantations	2	1	10
Mines	53	25	113
Others	69	65	112
Totals	1,018	428	1,528

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
–	F.P.	–	88	85	Acorn Inv. Tst £1	85	+2	–	–	–	–
§65p	F.P.	21/10	128	69	Barlo Group ☆10p	71	+2	a050%	2.8	5.9	11.9
[illegible]											

Footnotes: Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♥ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♣ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ◊ Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sep 26
- Last Dealings Oct 7
- Last Declarations Dec 22
- For settlement Jan 9

For rate indications see end of London Share Service

Stocks dealt in for the call included United Guarantee, Conroy Petroleum, Guinness Mahon, Brooke Tool, Cannon Street Investments, Sears, Stakis, Lloyds Chemists, Eagle Trust, GT Management, Raine Industries, Mountleigh, Microvitec, T Cowie and Global Group. No put or double options were reported.

LONDON TRADED OPTIONS

[illegible]

October 6 Total Contracts 40,061 Calls 27,053 Puts 13,008
FT-SE Index Calls 2118 Puts 3216
*Underlying security price.

INTERNATIONAL COMPANIES AND FINANCE

Nestlé buys US eyecare business for $325m cash

By William Dullforce in Geneva

NESTLE, the Swiss foods group, *announced* yesterday that it plans to buy Cooper Surgical, the ophthalmic surgery business of Cooper Companies in Irvine, California for $325m in cash.

A letter of intent has been signed by Alcon Laboratories, Nestlé's wholly owned subsidiary which is based at Fort Worth, Texas.

The transaction is subject to the signing of a definitive agreement and the approval of both companies' boards as well as US regulatory agencies.

Alcon expects to sign the final agreement this month and to complete the deal by the end of the year. Cooper Surgical has annual sales of around $300m, generated on several international markets and in the US.

It manufactures disposable surgical kits and intraocular lenses as well as opthalmic surgical instruments and systems.

Alcon is the world leader in eye care products and the largest unit in Nestlé's pharmaceutical products and cosmetics division which posted sales of SFr728m ($460m) last year.

● Oerlikon-Buehrle Holding, the diversified Swiss industrial and defence group, said its 1988 net result would show a marked improvement on the loss of SFr115.2m reported in 1987, Reuter reports from Zurich.

It did not specify whether this meant it would reduce its losses or return to profit. The group said in May it expected to be close to breaking even this year.

In a letter to shareholders, Oerlikon-Buehrle said that if business develops as expected, 1988 sales would be about 4 per cent higher than 1987's SFr4.11bn. In May, the group predicted sales would rise around 5 per cent.

Consolidated group sales totalled SFr2.46bn in the first eight months of 1988 compared with SFr2.49bn in the same 1987 period. Oerlikon-Buehrle noted it had sold off some companies in the past year.

Sales of defence products increased, but the market remained unfavourable, with financial difficulties preventing many countries from carrying out their spending plans. Sales in other divisions were mixed.

GBL forecasts higher earnings

GROUPE BRUXELLES Lambert (GBL), one of Belgium's largest holding companies, said yesterday that it expects both consolidated and non-consolidated profit to rise in 1988 with a dividend increase also likely, agencies report from Brussels.

In 1987 the group's consolidated profit dipped to BFr5.7bn ($146m) from BFr6.5bn in 1986 while 1987 non-consolidated profit rose to BFr4.3bn from BFr3.4bn. The 1987 dividend totalled BFr168 per share, up *from BFr160 in 1986.*

The group said yesterday that its consolidated net profit for the first half totaled BFr5.4bn, up 4 per cent from the year-earlier figure and nearly as high as the profit for the year as a whole in 1987.

It said that earnings per share had risen 3.6 per cent to BFr311 over the same time period.

Management said that the increase had been buoyed by stronger earnings of various companies in which GBL holds stakes. But it added that the increase was lower than it might have been due to the fact that GBL had derived higher gains from assets sales in 1987 than in 1988.

The parent company posted a profit of BFr2.8bn in the first half, down sharply from BFr4.2bn in the year-earlier period. Earnings per share fell to BFr161 from BFr241.

The drop in parent company profit was due to exceptionally high capital gains recorded in the year-earlier period.

● GB-Inno-BM, Belgium's biggest retailer, said parent company operating profit rose "markedly" in the first six months of 1988 ended July 31 while turnover rose 3.7 per cent in value against the same 1987 period.

The company did not publish absolute figures and a spokesman declined to give them. He said the first-half 1988 results were devoid of extraordinary gains, unlike the previous year's, which featured the sale of a chain of 40 petrol stations.

Alfred McAlpine warning on profits

By Ray Bashford in London

SHARES in Alfred McAlpine, the UK building, civil engineering and construction group, fell sharply yesterday after the company warned that annual profits would be "significantly" below the previous forecast. The shares dropped 18 per cent to close at 299p, down 65p .

Mr Bobby McAlpine, chairman, said the warning because of severe problems within the construction division which became apparent last month and centre on public sector contracts . As a result, the company has instituted management changes.

Last July, while announcing a 6.5 per cent decline in interim pre-tax profits to £5.3m ($8m), the chairman said that he expected full year results would be close to the previous £31.4m.

However, following yesterday's announcement analysts were expecting the company to achieve pre-tax profits of between £18m to £25m with a range of between £21m to £22m likely to be closest to the mark.

The company said that despite the outlook, it expected to hold the final dividend at last year's rate.

The chairman said that during July the construction division had "just managed to break even" and that results during August "were not that good."

Dyno lifts profits by 10%

By Karen Fossli in Oslo

DYNO INDUSTRIER, the Norwegian diversified industrial group, yesterday posted a 10 per cent boost in net profits to NKr182m ($26m) in the first eight months of this year due to a 30 per cent improvement in sales and operating profits.

Dyno's operating income soared 33 per cent, by NKr879m to NKr6.6bn, because of growth in businesses and acquisitions. Group operating profits increased 34 per cent to NKr262m.

Net financial costs, however, increased because of Dyno's expansion strategy and high interest rates for the group's "most important funding currencies."

For the year as a whole, Dyno said it expects an improvement over last year's result mainly because of increased earnings in the explosives and chemicals businesses. "So far, the plastics and packaging businesses, and the machinery group have not managed to match last year's results," Dyno said.

About 70 per cent of Dyno's income is achieved outside Norway. The company forecast a gloomy outlook for its domestic market which causes uncertainty for Dyno's Norwegian activities. "However, the improvements in our international operations are forecast to continue," Dyno said.

Zinc refiner goes into black

By William Dawkins in Brussels

VIEILLE-MONTAGNE, Belgium's largest zinc refiner, has announced a profits recovery from a BFr641m ($16m) loss in the first half of 1987 to a BFr830m profit for the first six months of 1988. This does not include a BFr277m exceptional gain on share sales. Consolidated turnover rose 19 per cent to BFr16.25bn.

The group also announced the completion of the financial restructuring forecast a year earlier, in the form of a BFr1.6bn subordinated loan from Union Minière, its main shareholder, and a BFr500m loan from Générale de Banque, of which Union Minière is a wholly owned subsidiary.

Bid would mark first major acquisition in UK

Australian approach for Aurora

By Ray Bashford

AUSTRALIAN NATIONAL Industries, that country's leading heavy engineering company, is poised to make its first major move into the UK with a possible takeover bid for Aurora, Sheffield-based engineering group.

Aurora confirmed yesterday that ANI had made a takeover approach. It advised shareholders not to sell their shares pending further a announcement expected next week.

Aurora's shares leapt 22p to 120p after the announcement to capitalise the company at £130m.

ANI has made the overture from a strong base, having built up a 22 per cent stake in Aurora since last December when it snapped up a 14.9 per cent stake through a dawn raid. The holding was extended to the present level in April.

Mr Douglas Morton, Aurora managing director, said there had been "very limited contact" with ANI but that the approach was "far from unexpected."

Aurora has enjoyed a strong return to health since 1983 when it almost went to the wall. The problems peaked in that year with the closure of its special steel business and a balance sheet which showed shareholders' funds cut to £2.3m against £40m in borrowings.

From a range of activities which now varies from steel castings and forgings production to the distribution of window hinges, the company has scored a progressive recovery and during the six months to end-June reported a 33 per cent rise in pre-tax profits to £6.7m.

Aurora receives about 25 per cent of turnover from its Australasian activities where it has three principal subsidiaries in steel distribution; cutting tool and industrial knife production.

An ANI spokesman said that Aurora's activities in Australia and New Zealand would complement its existing business.

He described relations with the Aurora board as "friendly" and said that there had been several meetings prior to the takeover approach.

ANI is one of many Australian companies which has been forced by limits within its domestic market to seek expansion through international acquisitions.

If a bid for Aurora were successful, it would be by far ANI's most significant international move. The company has long held ambitions to establish a bigger presence in the UK and continental Europe to build on offshore development into New Zealand and South East Asia.

ANI also holds a 6 per cent interest in William Cook, steel casting manufacturer, and recently took a 6 per cent stake in a US metal distribution company with a capitalisation of about the same size as Aurora as part of a move into North America.

Pernod opens case against FII-Fyffes

By Kieran Cooke in Dublin

THE LATEST episode in the long and complex battle for the Irish Distillers Group got under way in the High Court in Dublin yesterday with Pernod Ricard, the French drinks company opening its case against FII-Fyffes, the Irish foods company and a major IDG shareholder.

Pernod, which is locked in a battle for control of IDG with GC&C, the Irish subsidiary of Grand Metropolitan, the UK-based drinks giant, told the court it had received irrevocable guarantees from FII-Fyffes for its holding of 20 per cent of IDG shares.

Pernod said it had been invited by the IDG board to make a rival bid to Grand Metropolitan's offer for the Irish drinks company. Over the weekend of September 3, Pernod had reached agreement with FII-Fyffes for the sale of its 20 per cent IDG holding at the price of 450p a share.

Pernod said hands were shaken on the deal and documents had been drawn up. Pernod alleged that when GC&C Brands subsequently increased its share offer to 525p a share, FII-Fyffes reneged on its agreement and sought to sell its shares to GC&C. Pernod then obtained a court injunction to prevent the FII-Fyffes sale.

Counsel for Pernod told the packed Dublin courtroom that if FII-Fyffes had succeeded in selling its stake to GC&C Brands it would have been "the greatest gazump in Irish history."

In its offer document, Pernod claimed that – with the FII-Fyffes stake, a 9 per cent interest held by Irish Life, irrevocable acceptances in respect of 18.8 per cent, and shares owned – it controls more than 50 per cent of IDG shares.

However, while the outcome of the Dublin court case is important, the Takeover Panel in London is also considering whether any breaches of the Takeover Code occurred in securing the irrevocable acceptances. GC&C has also lodged complaints with the European Commission of certain aspects of the Pernod bid. Also, the Irish Government will have to give its approval.

Most of the first day's court hearing was taken up by the testimony and cross examination of Pernod's President, Mr Thierry Jacquillat, who, speaking in English, gave his version of the events of the weekend in early September. Judgement on the case is not expected before the end of next week.

Nikki Tait adds: In London, GC&C Brands has described the offer document as "confusing" and the board recommendation for the lower Pernod offer as "extraordinary." It argues that Pernod's intention of preserving the existing structure and marketing of Irish Distillers will "prolong the stagnation of the Irish whiskey industry."

Pillsbury says Pennsylvania has dismissed GrandMet plea

PILLSBURY, the US food and restaurants group facing a $5.23bn (£3.1bn) takeover bid from Grand Metropolitan, said the UK company had been turned down in its request in Pennsylvania to have a temporary restraining order on its tender offer dismissed, agencies report from Minneapolis.

Courts in seven US states have issued temporary restraining orders enjoining GrandMet from acquiring any Pillsbury stock on the basis that its acquisition would violate state laws banning liquor manufacturers from owning licensed retail outlets.

GrandMet has said it would sell Pillsbury's 380 licensed restaurants, trading as Steak and Ale and Bennigan's, to avoid conflict with these so-called "tied-house evil" laws.

In a related development, in an amended offer filed with the Securities and Exchange Commission late on Wednesday, GrandMet said it entered into preliminary discussions with alcohol beverage authorities in relevant states to seek an exemption from the laws.

GrandMet said that if it was unable to obtain such agreements, it could "decline to accept for payment or pay for any Pillsbury shares".

GrandMet in £3.5bn loan plan

By Stephen Fidler, Euromarkets Correspondent

GRAND METROPOLITAN, the drinks, food and retailing group, said yesterday it had put in place a $6bn (£3.54bn) loan, the largest corporate financing ever raised in the international bank market, to finance its takeover bid for Pillsbury.

The company, which has arranged the financing itself, had already announced that $3.75bn of the financing had been underwritten by the four main UK clearing banks. It said yesterday that six international banks would join the transaction, each underwriting $375m.

They include Commerzbank and Deutsche Bank from West Germany, Société Générale of France, Sumitomo of Japan and Swiss Bank Corporation.

The banks will all be paid an interest margin over London interbank offered rates of ¼ percentage point on the three-year loan, and a commitment commission on the undrawn portion of the financing of ⅛ per cent. A further utilisation fee of ⅛ per cent is payable on amounts drawn above $4.5bn.

The financing, which the company described as being wildly oversubscribed, is expected to be more widely syndicated among banks next week by National Westminster. However, Mr Michael McCann, GrandMet's group treasurer, said it was imperative that the loans were speedily put in place.

In order to reduce the impact of rises in interest rates on the company, GrandMet's finance department also put in place about five weeks ago some $2bn in interest rate caps. This places an interest rate ceiling of 9 per cent on some $2bn of its three-year liabilities. Then floating interest rates were about 8¼ to 8¾ per cent.

The caps, said Mr McCann, have the advantage over interest rate swaps in that they are highly flexible.

A further $1bn of the company's portfolio was already fixed by interest rate swaps at an average weighted rate of 9 per cent.

It is still unusual, though not as rare as it was, for companies to arrange large bank financings themselves, although the increasing sophistication of corporate treasurers makes it increasingly likely that the trend will grow.

The largest international bank financing previously raised was for $6bn by British Petroleum in March last year to finance a tender offer for the shares of Standard Oil it did not own.

● GrandMet said an extraordinary meeting of shareholders would be called for October 24.

MB plans to expand in the US

By Maggie Urry

MB GROUP, formerly called Metal Box, the major UK-based packaging group, is actively pursuing acquisitions in the US as part of its strategy to build its North American business up to a 20 to 25 per cent share of group turnover by 1991-92.

In the year ended March 1988 MB Group's sales in North America were £206m, 16.6 per cent of the group total. Operating profits of £13.5m were achieved in the US.

MB Group's direct involvement in the US dates back only 10 years. There has been a combination of acquisitions and expansion since then.

Further acquisitions are most likely in three of the areas of activity which MB Group has established in the US:

● Risdon, a supplier of packaging to the cosmetics market, which has a large share of the market for lipstick cases and dispensing systems for fragrances, but a much lower share of the eye-shadow packaging and compact market.

● Simplimatic, which makes equipment for the packaging industry, for example for handling cans, and which has been expanding to make parts handling equipment for other industries.

● Clarke Checks, the fourth largest US cheque printing business which has already made several acquisitions, and now has 32 plants with ambitions to add a further 17 plants by 1992. That would give it a national presence at a time when the US banking industry moves fully to interstate banking.

MB Group has also set up a joint venture with Alcoa, the US aluminium group, called Genesis Packaging Systems, which will make hi-tech packaging for prepared foods.

Etam ahead 10% to £6.12m

By Andrew Hill

ETAM, clothing retailer, increased profits by 10 per cent to £6.12m in the 28 weeks to August 13, against £5.55m in the equivalent period.

Turnover rose from £49.6m to £63.8m, but earnings per share dropped 7 per cent to 6.21p (6.7p).

The group said the interim results were affected by the cost of establishing SNOB and Peter Brown, respectively girlswear and young menswear chains, bought last year. Etam issued 13.2m new shares during 1987 to help fund the purchases.

The new additions lost money in the first half, but are expected to break even or make a small contribution for the full year. Since the half-year, sales have improved by 40 per cent on the equivalent period at SNOB, and 70 per cent at Peter Brown.

Etam said the cost of integrating the businesses would be spread evenly throughout the year. The effect would be lessened in the second half, the group added, by the contribution from peak seasonal trading, although it stressed that trading conditions were generally weaker than last year.

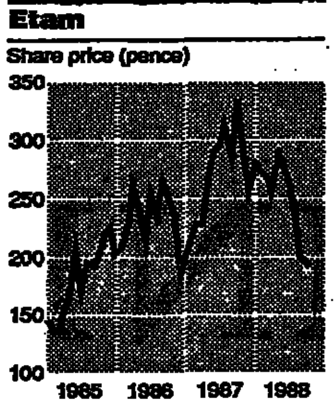
The company, which was operating 185 (172) outlets at the halfway stage, added that the core business of Etam and Tammy had continued to perform satisfactorily.

Total retail space increased from 447,000 sq ft to 538,000 sq ft. Some 65,000 sq ft has been opened since the beginning of the financial year and the opening of a further 20 outlets are planned soon.

Etam said further acquisitions were unlikely in the next two or three years.

Etam

Share price (pence)



● COMMENT

There is a school of thought which says Etam is being unduly pessimistic about the way in which it has managed SNOB and Peter Brown since they were acquired as loss-makers last year. These interim figures were flattered by £559,000 of property profits, slightly offset by reorganisation costs, but the promise that the two new chains will break even, or even return to profit in the full year is a heartening one. On the other hand, times are comparatively hard for retailers: Etam's core businesses were showing like-on-like sales growth of 19 per cent at the beginning of the financial year, but this dropped to 9 or 10 per cent towards the end of the interim period. Austin Reed, another clothes group, also sounded a note of caution in its interim statement yesterday. Etam shares came down from a high of 344p before the crash to as low as 192p last month. The price has probably bottomed out, but investors may have to wait a while before it bounces back. Forecast pre-tax profits of between £20m and £22m for the year put the shares, down 3p to 197p yesterday, on a prospective multiple of 9 or 10.

Austin Reed cautious on second half

By Andrew Hill

AUSTIN REED, upmarket clothing manufacturer and retailer, reported pre-tax profits up 18 per cent from £2.56m to £3.03m in the 28 weeks to August 13.

However, the company declared an unchanged interim dividend of 3p, in view of less buoyant trading conditions.

Mr Neil Fitton, managing director, said: "Our planning for the future is very positive. We have got a lot of new developments and irons in the fire. But the Chancellor has given the economy a turn and the retail trade will be cautious for the second half."

Austin Reed said the decline in tourist spending, combined with the stock market crash a year ago, had created less favourable conditions for the London branches.

Turnover rose 12 per cent from £33.87m to £38.1m, and earnings per share were up to 7.1p (6p).

A strong performance from the manufacturing division, which supplies export markets, mainly in Europe, provided the principal contribution to first half profits.

Mr Fitton said Austin Reed was poised to announce the acquisition of a manufacturing company, which would supply an additional product line for the division.

The company is continuing to invest in the refurbishment of its 41 UK stores, just under half of which have been redesigned with a resulting increase in sales of between 15 and 20 per cent. The remaining branches should be completed within the next two or three years, according to Mr Fitton.

Austin Reed, which also trades under the Chester Barrie, Drumohr and Stephens Brothers names, is planning to open two speciality shops in Hong Kong and is also expanding its Cashmere of Scotland chain in the US, doubling the number of outlets to eight. A new collection of tailored womenswear will be introduced this winter under the Austin Reed International label.

Tullow Oil in profit

Tullow Oil, Third Market-quoted explorer and producer of hydrocarbons, achieved pre-tax profits of £17,513 (£14,890) for the six months to June 30, against losses of £263,346.

Earnings came out at 0.03p (0.7p losses) per share. The company intends to seek a quote on the USM.

Restructure for MSCC board

MANCHESTER SHIP Canal Company shareholders yesterday voted overwhelmingly to restructure the board and increase the company's borrowing powers by £45m to help finance future developments.

The vote will not prevent a public inquiry into the proposals because they have to be effected through a harbour revision order approved by Parliament. Minority shareholders with nearly half of the company's ordinary stock have objected and therefore the company will have to justify its arguments at an inquiry.

Kleinwort Asset

Kleinwort Benson Sterling Asset Fund had a net asset value of £33.83 (£32.425) per participating share at April 1 compared with £32.435 a year earlier.

Gross profit for the six month period was £14,832 (£13,658) and net revenue £6,066 (£3,824).

L&B discounts general offer for New Tokyo

By Nikki Tait

London & Bishopsgate Holdings said yesterday that it was not currently considering a general offer for New Tokyo Investment Trust, a £70m specialist fund managed by Edinburgh Fund Managers. This was due to "present market conditions in Japan and the UK", it said.

L&B is the private investment management company owned mainly by Mr Robert Maxwell and Lord Donoughue.

Back in early-September, L&B approached the fund – in which it has now built up a 27.8 per cent stake – with proposals which involved changing the investment policy to that of tracking the Tokyo New First Section Index.

The scheme, it suggested, might lead to proposals being put to shareholders which "could include an opportunity for holders to sell their shares at a fixed discount from the adjusted net asset value on a predetermined date".

Discussions between advisers have since ensued, but New Tokyo made clear yesterday that, in the absence of any "cash out", it saw no purpose in putting the proposals to shareholders.

Exactly where this leaves the trust is slightly unclear. L&B says that it intends to continue to pursue the indexation proposal with the trust's board.

The size of L&B's stake would allow it to block any alternative reconstruction scheme, it could, however, call an extraordinary meeting if it wished to put any proposals directly to shareholders. Yesterday, L&B declined to comment further.

Trafalgar buys Costain shares

Trafalgar House, hotels, shipping and construction company, is understood to have acquired additional shares in Costain, mining to construction group.

According to notices sent out by Costain under section 212 of the Companies Act, Trafalgar acquired over 100,000 shares last week.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
BHH Group	int	1.25	Nov 30	-	-	1.25
Berry/Birch/Noble	int	1.5	-	1.5	-	4.5
Dean & Bowes §	int	2†	Oct 28	1.5	-	4
Druck Hldgs §	fin	4	Nov 21	3.2	6.2	5.2
Etam	int	1.7	Jan 4	1.55	-	6
Galliford	fin	2.5†	Nov 25	2.05*	3.2	2.675*
HTV	fin	8	Nov 25	6.8	11.7	9.8
Masterlite Grp §	int	1	-	1	-	3
Photo-Me Intl	fin	2.4	-	1.2	3	1.6
Reed (Austin)	int	3	Dec 1	3	-	8.5
UTC §	int	4	-	3	-	8
Walker Greenbank	int	1	-	0.5	-	2.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aeroelectric, Atlantic Secs. Trust, Barker (C), Danektron Intl, Gates (Frank G), Hewitt Whiting, Intl Inv Co of Jersey, Scottish Television, Serif Cowells.

Finals- Baillie Gifford Japan Trust, Portugal Fund, Ulster TV.

FUTURE DATES

Interims-

Chillington Corp	Oct [illegible]
Lawrence (W)	Oct [illegible]

Finals-

Albe	Oct [illegible]
Colorgen	Oct [illegible]
Kingston Oil & Gas	Oct [illegible]
Pochin's	Oct [illegible]
Prestwick	Oct [illegible]
SPS Consultancy	Oct [illegible]
Stanhope Properties	Oct [illegible]
TR Australia Inv. Trust	Oct [illegible]

SOCIETE INTERNATIONALE PIRELLI S.A. - BASLE

Pirelli U.K. International Finance B.V.

7½ % £40 Million guaranteed convertible bonds

1985 - 2000

In accordance with condition 11 (B) (f) (i) of the first schedule of the Trust Deed for the above mentioned convertible bonds, notice is hereby given to the Bondholders that the General Meeting of the Shareholders of Société Internationale Pirelli S.A. will be held in Basle on Wednesday November 9, 1988.

Requests for conversion into ordinary shares filed on/or before October 20, 1988 shall be submitted to the above mentioned General Meeting for the creation of the shares needed to satisfy the conversion requests.

BCPF buy more and declare bid for TRIG unconditional

By Nikki Tait

BRITISH COAL Pension Funds (BCPF) declared their £560.5m bid for TR Industrial & General (TRIG), Britain's third largest investment trust, unconditional yesterday morning after claiming control of more than 50 per cent of the equity.

When they launched the bid, the funds already owned 36.1 per cent. By the first close at 3pm on Wednesday, they had added acceptances in respect of 40.5m shares – 9.4 per cent – and then a "tea-time" market raid netted a further 12.2 per cent. The latter shares were all purchased at the 129.5p a share bid price – an 8.7 per cent discount to brokers' estimates of current net asset value.

That gave the pension funds 57.7 per cent of the equity. But they remained in the market yesterday adding a further 5.5 per cent by lunch-time. Further small purchases are believed to have been made in the afternoon, taking total control to around 65 per cent.

Mr Paul Whitney, chief executive of CIN Management, which handles the £10bn funds, said that future management of the trust would still depend upon the final outcome – in particular, the degree of control established by BCPF. A meeting between the two camps' advisers is understood to have taken place yesterday afternoon, and further meetings seem likely.

Touche Remnant, the private fund management group which runs TRIG, said only that it would offer guidance to shareholders as soon as possible. The questions of management of the trust and BCPF's intentions may well affect the advice given.

Touche added that it would be happy to continue managing the trust if requested. Should the management contract be severed, there is provision for compensation to be paid to Touche. This is equivalent to between one and two years' management charges. The annual charge is 0.2 per cent of quoted assets.

The bid's success, however, raises further question-marks over Touche Remnant itself, which has seen assaults or reconstructions at four other trusts during the past year.

TRIG, besides being the largest trust in TR's stable, accounts for about one-sixth of funds under management, and has been seen as the flagship of the group. It is also the largest single shareholder in the fund management company with around 27 per cent of the equity.

TR's other trusts, together with Liberty Mutual, the American insurer which came in as the first external shareholder during the summer, have pre-emptive rights to buy this stake. Touche has indicated that this right may well be exercised.

However, the fund management company appears to be digging in its heels over TR Australia, a smaller £40m trust where another investment trust, River Plate & General, announced a 28.6 per cent voting interest last week.

In a letter to shareholders, Sir Anthony Touche, chairman of TR Australia, said that various reconstruction schemes have been considered in the past two years but "no available scheme was likely to be cost-effective and to the advantage of all shareholders". He argued that, with assets in a relatively illiquid market, a closed-end fund was particularly appropriate. However, he added that the structure of the company was being kept under review.

Morgan Grenfell, TR Australia's adviser, has also sent out various notices under section 212 of the Companies Act, which allows companies to establish the beneficial owners of their shares. This should allow TR Australia to establish when certain share transactions related to the new stake took place.

UK COMPANY NEWS

Heron increases stake in Virani property group to 15%

Control acquires £62.5m portfolio

By Paul Cheeseright, Property Correspondent

HERON CORPORATION, Mr Gerald Ronson's privately-owned company, will hold 15 per cent of Control Securities following a £62.5m series of disposals to Mr Nazmu Virani's property and general investment group.

The most significant property being sold by Heron is the 244-bed Holiday Inn at Marble Arch in London's west end. Control is paying £33m and intends to make the hotel the flagship of a leisure property portfolio already established through the purchase of hotels from Trusthouse Forte and pubs from Grand Metropolitan.

There are 11 other properties in the portfolio, all developed in the last two years. They include a shopping centre in Margate and office towers in Cardiff.

Control will pay Heron partly through the issue of 50m new shares at 60p, which compares with yesterday's close of 53½p. The deal will result in Heron increasing its stake in Control from 2.7 per cent to 15 per cent.

Heron first forged an alliance with Control in July 1987. *Its shareholding is now* roughly the same size as that held by Mountleigh, while British Land has 11.8 per cent and London and Edinburgh Trust 4 per cent.

Control has grown rapidly on the back of the purchase and re-sale of properties. The latest transactions are part of the same pattern, although properties in this case were said to be of higher quality than most of those previously traded.

The balance of the purchase price — £32.25m — is being paid in three instalments: £15.5m at completion, £8.5m in March 1989 and £8.25m in September 1989.

Control, therefore, can take possession of the properties for a cash outlay of £15.5m. This, however, is likely to be rapidly offset. The company has a buyer, prepared to pay around £10m, for an industrial estate near Spaghetti Junction, Birmingham — part of the Heron portfolio.

Mr Virani said that Control's gearing was little changed at about 20 per cent. A check on any rise is being secured by the sale of five other properties, originally bought from British Land, for £22.5m. Sales since last April by Control total £70m.

Links between Control and Heron have also been tightened by the setting up a joint venture company into which both groups will inject £11.5m (£5.8m).

The new company is spending £217m on buying 31 freehold properties with an average occupancy rate of 50-55 per cent from Pima, the Heron savings and loans unit. The properties had passed into Pima's hands after defaults on loans, and their movement into a new company will liberate capital for Pima.

Sun Alliance to sell Canadian subsidiaries

By Nick Bunker

SUN ALLIANCE, the composite insurer, plans to sell its two Ontario-based Phoenix insurance subsidiaries for about C$55m (£27m), shrinking its exposure to the highly volatile Canadian property/casualty insurance market.

The buyer is to be New York-based Continental Corporation, which currently runs both businesses on Sun Alliance's behalf as part of an underwriting pool based in Toronto.

The two Ontario companies were originally acquired by Sun Alliance in mid-1984, as part of its £400m takeover of a rival UK insurer, Phoenix Assurance. In 1987, they produced premium income of C$56m and net underwriting losses of C$2.8m, Sun Alliance said yesterday.

The news will mean the final severance of all trading ties between Sun Alliance and Continental. The US company, the 12th biggest US property/casualty insurer, had a long-standing business relationship with Phoenix Assurance and owned *24.3 per cent of it until the* takeover by Sun Alliance.

Mr Colin Tuke, Sun Alliance's assistant general manager (overseas) said the fundamental reason for selling the two companies was that their business "was increasingly taking on a Continental flavour."

"They were really a Continental-run operation where we lacked influence or control," he added.

In particular, Sun Alliance was concerned that the Toronto-based pool was becoming exposed to US liability insurance risks. A further factor behind its decision was that the Canadian market for large commercial risks was entering a cyclical downturn, Mr Tuke said.

Sun Alliance already has the smallest Canadian exposure of *any of the quoted UK companies*. The planned divestiture will leave it with one remaining operation there, Sun Alliance Insurance Company, which had £62m of premiums in 1987.

Its business comes primarily from personal and smaller commercial lines risks, particularly in Nova Scotia and Newfoundland.

Mr Tuke said this still had room for growth but there were no plans to expand it by acquisition in the near future.

Sun Alliance also said yesterday that it had signed a letter of intent with Continental to buy from the US company its 75 per cent stake in a French underwriting agency, Groupe Barthelemy, which has premiums of about FFr100m (£9.2m).

Sun Alliance already controls another French underwriting agency, Groupe Sprinks, and Mr Tuke said it hoped the two would together provide a base for expansion, mainly in property insurance.

Sun Alliance's shares closed up 1.5p at £10.05. Mr Simon Willis, insurance analyst with stockbroker County NatWest Woodmac, said: "It seems that Sun Alliance is not getting that much for the Canadian companies, but in view of the downturn in the Canadian market the sale may be no bad thing."

Setback sees Berry Birch dip to £257,000 midway

TAXABLE PROFITS fell 53 per cent from £546,151 to £257,008 at Berry, Birch and Noble in the six months to July 31. Turnover, however, was up 31 per cent at £2.98m, against £2.28m previously.

Operating profit of the USM-quoted company, which is involved in financial services and insurance broking, was down to £228,381 (£486,236) and interest payable and other charges took £17,589 (nil).

The directors said the company's planned expansion had not materialised during the first half. However, it had marketed a number of new contracts which would benefit future income. The interim dividend is held at 1.5p on earnings per 10p share of 2.6p (5.5p).

Photo-Me raises profits for year 19% to £11.29m

PHOTO-ME International, *photographic booth manufacturer* and operator, lifted pre-tax profits by 19 per cent to £11.29m in the year to end-April.

The advance from £9.55m was achieved on turnover 17 per cent ahead at £76.85m (£65.8m). Earnings per 5p share rose to 19.72p (16.73p), and a proposed final dividend of 2.4p makes 3p (1.6p adjusted for last December's sub-division of shares) for the year.

Murray Ventures

Net asset value of Murray Ventures, investment trust, 363.4p at July 31, from last time's 381.3p. Final dividend 3.85p, for a total of 6p (5.25p).

Minorco, Gold Fields had merger plan

MINORCO, the South African-controlled investment company which is bidding £2.9bn for Consolidated Gold Fields, yesterday released a detailed account of abortive merger talks between the two companies in 1986. Following are edited extracts from this document, *Putting the Record Straight*.

In the light of recently reported comments from Mr Rudolph Agnew, chairman of Gold Fields, Minorco now believes it is appropriate to refer to the discussions which took place between Minorco and Gold Fields late in 1986.

Minorco has asserted its confidence in the commercial and financial logic underlying its offer and has been surprised by the outright rejection of this logic by Gold Fields, given the substance of merger discussions between the two companies in 1986.

A first phase of discussions, which began in September 1986, was initiated by Gold Fields' then adviser, SG Warburg. The proposals submitted to both Minorco and Gold Fields by Warburg envisaged the creation of a new holding company, to be located in continental Europe, into which both Minorco and Gold Fields would be merged.

These talks were terminated in early December, even though Minorco and Gold Fields had agreed on the commercial and financial logic of such a merger and even on the outline business plan for the new company which was prepared by Mr Agnew and accepted by Minorco.

Substantial agreement was reached on the composition of an independent board and Minorco agreed that Mr Agnew should hold the position of chief executive. Both parties agreed that there should be an independent chairman.

Gold Fields expressed concern that the principal South African shareholders in the new company should not be able to exercise more than 25 per cent of the votes except in special situations. No concern was expressed in relation to the level of equity participation.

The absence of a premium over the then market price of Gold Fields shares, in consequence of the principal shareholders going through the 30 per cent voting threshold, was a further reason for the termination of these discussions.

A second phase commenced early in December when Gan Grenfell, developed proposals for a friendly merger by means of a public offer which would have afforded Gold Fields' ordinary shareholders a 25 per cent premium over the then market price. The outline business plan for the enlarged company was not changed from that agreed in the earlier phase of discussions.

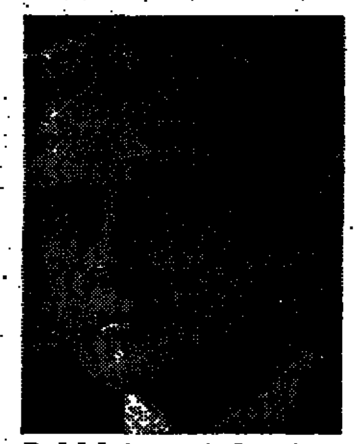
The independence of its board and management were assured by very significant representation from Gold Fields and, in particular, Mr Agnew was assured of the key executive position in the enlarged group.

This satisfied the concern expressed by Gold Fields' executives that the South African shareholding might impair the business prospects of the enlarged group.

Minorco's proposals were submitted to Gold Fields on December 14 and negotiations took place up to and including December 21. The negotiations were conducted by senior representatives of Minorco and top central management of Gold Fields led by Mr Agnew.

Negotiations on all key aspects of the offer, including board representation and management, had been satisfactorily settled by the respective chairmen and their advisers before the holding of a special Minorco board meeting on December 20. Mr Agnew called a meeting of the Gold Fields board to take place two days later.

Julian Ogilvie Thompson, Minorco chairman



Rudolph Agnew: took part in earlier talks

Minorco approved the offer and its terms. Further discussions were held with Mr Agnew and other Gold Fields' executives and their advisers that same weekend. On the evening of December 21, subject to approval by the Gold Fields' board, agreement was reached between the two teams on outstanding points, including the offer price and the wording of a joint press release which strongly endorsed the industrial and financial logic of the transaction.

This was the offer that Mr Agnew and his executives put to the Gold Fields' board on December 22 with a view to making an agreed public announcement immediately thereafter.

Despite the fact that the merger proposals had been agreed by executives led by the two chairmen, Gold Fields decided to request Minorco to withdraw its offer which had been expressed as being conditional on a favourable board decision.

In making this request, immediately following the meeting, Mr Agnew and other representatives of the Gold Fields' board made a commitment to Minorco that Gold Fields would participate in continued discussions early in 1987. Mr Agnew made it explicit that Gold Fields acknowledged Minorco's aspirations and that the discussions should embrace all possibilities, including that of merger. In the light of this undertaking, Minorco allowed its proposal to lapse.

Mr Agnew subsequently told Mr Julian Ogilvie Thompson, Minorco chairman, that he regretted that he (Agnew) had not kept a number of non-executive directors of Gold Fields adequately in the picture.

At the end of January 1987, while discussions between the companies were continuing, Mr Ogilvie Thompson was informed that Gold Fields had received notification that Gold Fields of South Africa, its then 48 per cent owned associate, and another associate, Driefontein Consolidated, through a joint company, had raised their interest in the capital of Gold Fields to 7.8 per cent.

Minorco issued a press release at the time indicating its astonishment at this development. Given its wish to achieve a merger with Gold Fields on a constructive and amicable basis, Minorco did not feel it appropriate then to explain publicly the reasons for its attitude.

Against this background, and particularly in the light of Gold Fields' recent statements regarding South African shareholders, Minorco has noted the revelation that Gold Fields has secured the commitment of GFSA to decline to accept Minorco's current offer in respect of the 7.8 per cent interest held jointly with Driefontein.

PUBLIC WORKS LOAN BOARD RATES

Effective October 5

Years	Quota loans repaid by EPI†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			10⅞			11⅝
Over 1 up to 2	10¾	10¾	10⅜	11¾	11¾	11⅛
Over 2 up to 3	10½	10½	10⅜	11½	11½	11⅛
Over 3 up to 4	10⅜	10⅜	10⅜	11⅜	11⅜	11⅛
Over 4 up to 5	10⅜	10⅜	10¼	11⅜	11⅜	11
Over 5 up to 6	10⅜	10⅜	10⅜	10⅞	10⅞	10⅞
Over 6 up to 7	10⅜	10⅜	10⅜	10⅞	10⅞	10⅞
Over 7 up to 8	10⅜	10¼	10¼	10⅞	10¾	10¾
Over 8 up to 9	10¼	10¼	10⅛	10¾	10¾	10⅝
Over 9 up to 10	10¼	10⅜	10⅛	10¾	10⅞	10⅝
Over 10 up to 15	10⅜	10⅛	9¾	10⅞	10⅝	10¼
Over 15 up to 25	9⅞	9⅝	9½	10⅜	10⅛	10
Over 25	9⅝	9½	9⅜	10⅛	10	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Colefax in purchase to control US distribution

By Alice Rawsthorn

COLEFAX AND FOWLER, which makes the wallpaper and furnishing fabrics that adorn some of the grandest drawing rooms, is buying Cowtan and Tout, a US furnishings company, for $16.8m (£10m).

Mr David Green, chief executive, said the acquisition offered "a perfect opportunity" for Colefax to take control of its own distribution in the US and to expand its presence in North American.

Colefax went public in June. The US, its leading overseas market, provided 20 per cent of its £11.5m sales last year.

Mr Green said the Colefax range would be transferred from its established US distributor to Cowtan, this should produce an immediate improvement in margins.

Colefax distributes Cowtan's products outside North America. Since its formation ten years ago Cowtan has built up a $13.8m business.

The acquisition will be funded by shares and cash. Phillips & Drew, broker to Colefax, is conditionally placing *6.09m shares at 130p a share*. Existing shareholders can buy 20 new shares for every 41 held at 130p a share. Colefax's shares fell by 3p to 140p yesterday, against an original flotation price of 125p.

Colefax forecasts interim pre-tax profits to exceed £690,000 (£498,000) in the six months to October 31, with an interim dividend of 1.1p.

Buoyant construction sector helps Galliford rise to £6.31m

By Richard Tomkins, Midlands Correspondent

BUOYANCY IN the construction sector and a strong housing market helped Galliford, Leicestershire-based contracting and housebuilding group, increase pre-tax profits from £4.8m to £6.31m in the year to June 30 1988.

Turnover advanced from £134.31m to £168.85m and earnings per share rose by 36 per cent from 4.27p to 5.81p. A final *dividend of 2.5p is proposed*, making 3.2p (2.67p) for the year.

The 1987 results were restated to reflect the acquisition of J H S Builders' Merchants in January 1988.

Contracting increased its profits contribution from £2.08m to £2.42m despite keen competition. Four motorway reconstruction contracts also made a useful contribution.

Mr Eric Pugh, managing director, said the construction sector was still very strong. "What was happening in the south-east two years ago is now spreading throughout our area of operation, and I'm confident this will continue for some time."

Profits from private housebuilding rose from £724,000 to £1.63m as demand in the eastern counties strengthened. Completions increased from 174 to 203 at an average price *up from £42,000 to £44,000, and* Mr Pugh said at least 250 completions were scheduled this year.

The supplies and services division, mainly merchanting construction materials, increased profits from £1.47m to £1.78m amid strong demand. Profits from other activities fell from £531,000 to £474,000, reflecting the disposal of the Chorley division.

● COMMENT

Heavy dependency on the public sector saw Galliford's profits moving sideways through the late 1970s and 1980s as spending cuts took their toll, but the latter day buoyancy of the private sector combined with some modest acquisitions has taken the pre-tax figure sharply upward for a second year running. The trend should continue into a third. Contracting is the beneficiary of a *heavy programme of urban* renewal in provincial Britain, where Galliford's role as a founder shareholder in Birmingham Heartlands (a private sector urban development corporation) is particularly significant, and housebuilding is still a healthy business in the eastern counties. On forecasts of £8.1m, the shares at 74p are at a premium to the sector on a prospective p/e ratio of nearly 9.5, but the fillip of the generous dividend policy is enough to rate them a strong hold.

UTC more than doubled to £2.6m

UTC, stockbroking and corporate finance group, more than doubled taxable profits from £1.15m to £2.59m in the six months to the end of June *1988 on turnover up 49 per cent* at £9.35m, against £6.29m.

Earnings per share for this USM-quoted company were 11p (8p) basic or 9.8p (8p) fully diluted. The interim dividend is being increased to 4p (3p).

The company is also plan*ning a one-for-ten scrip issue of* redeemable convertible preference shares with a coupon of 4.38 per cent.

The company said all operations made a strong first-half contribution. Mr John Vincent, chairman, said that with *cash balances of £14m* and organic growth the group expected continued progress.

Organic growth helps Musterlin return to profit

A 20 per cent increase in organic growth and a satisfactory contribution from Agon, its Dutch publishing subsidiary, enabled Musterlin Group, USM-quoted publisher, to return to profit in the six months to June 30.

Taxable profit was £25,000, against last time's losses of £268,000, on turnover of £3.56m (£2.65m). Losses per 20p share were cut from 4.33p to 1.02p. The interim dividend is maintained at 1p.

UK COMPANY NEWS

HTV ahead of City expectations

By Vanessa Houlder

HTV Group, the ITV contracter for Wales and the west of England, yesterday unveiled better-than-expected results for the year ended July 31 with a 21 per cent increase in pre-tax profits from £11.9m to £14.4m. The share price responded by gaining 23p to 248p.

Turnover increased by 14.4 per cent to £133.4m (£116.6m). Advertising revenue grew by 11.6 per cent, from £81.6m to £91.1m, although HTV's share of ITV net advertising revenue fell from 6.45 per cent to 6.37 per cent. Programme sales overseas increased from £2.7m to £11.9m.

Exchequer levy was reduced from £5.2m to £3.6m, due to increased income from overseas programme sales which are charged at a lower rate.

The company also announced that it was planning a new corporate and managerial structure for the group which, it said, would devolve responsibility into profit centres and help it respond flexibly to changes in the industry.

Sir Melvyn Rosser, chairman, said he was pleased that after negotiations with the Welsh Fourth Channel Authority HTV had been invited to provide 7.5 hours of programmes a week, while a further six hours remain unallocated. Under its current contract, which ends by 1990, it produces 9 hours of programmes a week.

An extraordinary charge of £293,000 resulted from a provision of £1m for an investment in Super Channel. Against this was set a further reduction of the provision of £728,000 from the closure of the stationery activity two years ago.

Earnings per share rose by 18.5 per cent to 42.98p (36.28p). A final dividend of 8.0p (6.6p) is recommended.

● COMMENT

After disappointing results at the half way stage, HTV's rating hit a low even by the unexacting standards of the TV stocks The main problems were the uncertainty surrounding the renegotiation of its contract with S4C and the drift of advertising revenue away from the regions which compounded the general uncertainly surrounding the sector. Although that uncertainty remains, these better-than-expected results have given new heart to the company's followers. The company has done well from the S4C negotiations, the advertising trend appears to have plateaued and its resources make it a prime candidate to retain its franchise. Add to that its strong asset backing and the shares appear good value on a multiple of 5 – assuming that the company makes profits of £16m this year.

Jacques Vert ahead by 26% to over £2m

By Alice Rawsthorn

JACQUES VERT has emerged unscathed from the intense competition within the clothing market to increase pre-tax profits by 26 per cent from £1.64m to £2.06m in the six months to July 19.

Mr Alan Green, chairman, said that every area of the business had fared well during the period. The company, quoted on the USM, had secured growth from wholesaling and retailing in the UK and exports had, he said, "been very good indeed".

Many clothing companies have suffered from an influx of low-cost imports from the Far East this year. But Jacques Vert, which concentrates on higher quality women's wear, tends to compete against European, rather than Far Eastern manufacturers.

Sales from UK wholesale activities rose to £9.6m (£8.2m) and sales from shops to £2m (£1.2m). Export sales almost doubled to £2.2m (£1.2m). Jacques Vert's main export market is North America, but it is also expanding in Europe and Japan.

Earnings per share increased to 14.66p (10.9p). There is no interim dividend.

Jacques Vert was now expanding its retail activities in the UK, although Mr Green said that the expansion would be restricted by the need not to conflict with existing customers.

The company is also expanding its manufacturing capacity to keep pace with sales growth. It has acquired Maitland Womenswear from Parkland Textiles and has also expanded its established plants in the north-east and Devon. The cost of manufacturing and retail expansion will absorb over £1.5m in capital expenditure this year.

US buy for Morgan Crucible

By Andrew Hill

MORGAN CRUCIBLE, industrial materials and electronics company, is to expand its carbon divison in the US with the $34m (£20.1m) acquisition of Carbon Products Operation, a subsidiary of General Electric, the largest producer of electric motors in the US.

The acquisition should save Morgan about $8m, by enabling the UK group to use spare capacity at CPO's modern plant at East Stroudsberg, Pennsylvania, instead of enlarging existing US facilities.

There was competition for CPO, which produces carbon materials for the industrial, trains and aircraft markets, from four or five other prospective buyers.

Mr Bruce Farmer, Morgan Crucible's managing director, said yesterday: "Our people must have been talking to General Electric for the past 15 years, trying to prise CPO out of them."

The purchase is to be funded partly by a £13.6m placing of 5.77m new ordinary shares at 236p each, against yesterday's unchanged closing price of 245p, and the balance by borrowings.

General Electric is one of CPO's major customers, accounting for about 20 per cent of sales, and CPO will have a continuing supply arrangement to General Electric for five years and a commission agreement for motor renewal parts sales.

Apart from electric motors for industry, CPO also manufactures carbon products for uses ranging from electric shavers to power generation equipment.

Industrial products are sold directly and through distributors to the customer, while traction products are sold to original equipment manufacturers and to the replacement market.

In 1987, CPO made $3.4m before tax on turnover of $14.7m, and has told Morgan that the current year's profits are well ahead. The book value of CPO's assets is about $8m, but Morgan believes substantial revaluation of the assets could eliminate much of the goodwill.

Rockware to buy CWS Glass

By Maggie Urry

ROCKWARE GROUP is aiming to become the largest manufacturer of glass containers in the UK with the proposed £21.6m takeover of the glass business of the Co-operative Wholesale Society. The deal is subject to approval from Rockware shareholders. Rockware shares rose by 1p to 58p yesterday.

The CWS Glass business comprises two plants at Wigan, in Lancashire, and Worksop, Nottinghamshire. Rockware has five plants. The Wigan factory was modernised in 1987 for £6m and a furnace at Worksop is currently being rebuilt.

The cash price covers fixed assets valued at £10.5m, stock of £8.75m which had been built up in advance of the furnace re-build, and £2.3m in respect of work done so far at Worksop. A further £4.6m will be spent at Worksop by Rockware, and stocks will be rapidly reduced by about £4m.

Rockware is financing the purchase through a medium-term loan facility to raise £25m.

The profit record of CWS Glass has been bumpy, with a pre-interest profit of £1.2m in the year to January 9 1988. It is expected to make a £2m profit in the current year and once the new furnace is complete annual profits should reach £4m, says Mr Frank Davies, Rockware's chief executive.

The CWS said its sale to Rockware was in recognition of the view "that a further restructuring of the UK glass container industry is necessary."

The new group will have about 32 per cent of the market, with CWS Glass contributing 7.5 per cent. This will give Rockware a slight edge over United Glass, the other leading UK manufacturer, in tonnage terms.

The glass market has been highly competitive in the 1970s and '80s. However, since 1980 about 30 per cent of the industry's capacity has been closed. In the last two years, prices, which had fallen significantly, have begun to rise again and supply and demand is roughly in balance.

Although glass has been suffering from replacement by plastics and cans, the market appears to be starting to grow again, with a 2 per cent gain in the UK in the first half of 1988.

West Midlands growth helps BHH to £2.72m

BHH GROUP, construction and property investment and development group, reported taxable profits increased sharply from £782,000 to £2.72m in the first half of 1988, on turnover up from £7.92m to £22.41m.

Comparisons for the same period in 1987 have been restated to reflect the acquisition of WSJ (Holdings) on a merger accounting basis.

Mr David Fitzgerald, executive chairman, said property development and investment operations continued to benefit from the resurgence of industrial activity in the West Midlands.

BHH has received "a number of expressions of interest" regarding its housebuilding division, including one from its management. BHH announced in July that the division was up for sale.

Earnings per 50p share advanced to 5p (1.68p). A maiden interim dividend of 1.25p is declared.

Hilton Intl exceeds target

Ladbroke Group said yesterday that its Hilton International hotels subsidiary would comfortably exceed the $100m (£59m) profits target for its first full year in the group. Ladbroke shares closed 12p higher at 463p.

Mr John Jarvis, director, told Scottish investment institutions at a presentation in Edinburgh that Hilton had increased pre-tax profits by more than 75 per cent in the nine months to September 30.

Stakis disposes of Mannin operation

Stakis is moving further away from financial services through the sale of Mannin International Holdings to the Royal Bank of Canada for an undisclosed sum. Mannin, based in the Isle of Man, specialises in financial advice for expatriots.

Dual purchase for Salvesen

Christian Salvesen, diversified Edinburgh-based frozen food distributor, yesterday announced its first acquisition in the US transport industry and an extention of its UK brick operations.

The company is paying £3.7m cash for W H Collier, a leading UK manufacturer of hand-made bricks, selling primarily in the East Anglian and south east areas of England.

Directors said the purchase was in line with the strategy of broadening the range of premium quality products and follows the development of the greenfield brick development at Walsall, West Midlands.

Christian Salvesen is also acquiring a 60 per cent holding in SEMO Transportation of Missouri, with an agreement to buy the remaining stake over four years on an earn-out basis. SEMO operates 23 trucks for a range of frozen food producers and has existing links with Christian Salvesen.

The sum paid for the initial holding values the group at $2m (£1.2m).

Bank of Ireland £1m deal

Bank of Ireland has bought an option to acquire a controlling interest in Regency Financial group, owner of a London-based life assurance business, and part of the US-based Transamerica Life Companies.

The bank is investing £1m in Regency. Mr Richard Keatinge, Bank of Ireland's UK chief executive, said the option would enable the bank to pursue its objective of selling life assurance through its UK branch network.

UK COMPANY NEWS

Walker Greenbank rises to £6.5m

By Andrew Hill

STRONG CONTRIBUTIONS from wallcoverings and automatic car washing helped Walker Greenbank, diversified consumer products and engineering group, increase pre-tax profits by 27 per cent from £5.12m to £6.52m in the half-year to July 30.

The company spent about £7m on acquisitions in the first half, adding to its shopfitting, garage supplies and healthcare activities, but realised £356,000 above the line on the sale of an investment in a private company. Walker is currently negotiating joint ventures for the supply of wallcoverings and healthcare products to Japan.

Sir Anthony Jolliffe, chairman, said strong cash flow from existing businesses meant borrowings had remained stable at about 25 per cent of shareholders' funds.

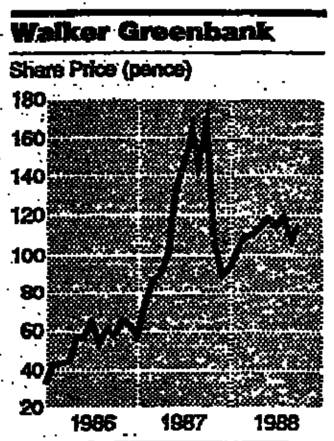
"We are buying small companies which we can bolt on to our existing core businesses," said Sir Anthony, adding that more acquisitions in the consumer products sector were likely before the end of the year. He said the group would eventually sell its remaining engineering businesses.

Turnover rose from £47.1m to £54.6m and the interim dividend is doubled to 1p. Earnings per share worked through at 4.69p, up from 3.69p last time.

The group said the shopfitting operation – which Sir Anthony described as Walker's fastest growing business – was held back as the cost of setting up a new manufacturing and warehousing facility in Teesside was absorbed.

About 70 per cent of turnover was now generated by the consumer products side, and the balance by engineering, he added.

Walker has moved out of engineering sub-contracting, income from which was inconsistent, while the manufacture of triple-deck car transporters and machinery for food drying, sewage disposal, water treatment and desalination, now takes place at a single site in Blackpool.



The company is also hoping to expand its consumer products business in Europe, either by selling to the continent from existing sources in the UK, or acquiring a European distribution company.

● COMMENT

Sir Anthony Jolliffe winces slightly at the description "mini-conglomerate" which has inevitably been attached to Walker Greenbank's diverse collection of businesses. If the engineering operations are disposed of, he reasons, perhaps the conglomerate tag will go too. For the time being, however, engineering stays, and analysts seem untroubled by the nomenclature, forecasting £15.5m in the full year. No major acquisitions are expected and Sir Anthony says the group has put a ceiling of 30 per cent on gearing. But Walker is full of ideas on how to expand its consumer product activities through small bolt-on purchases and marketing ventures in the UK, in continental Europe, and even in Japan, where Western-style wallpaper, such as Walker's upmarket Zoffany range, is apparently gaining favour. The benefits of the new shopfitting facility should start to come through in the second half of this year, and the shares, up 3p to 117p, look reasonable value on a prospective p/e of about 11.

Acquisition and profit rise at D&B

By Clay Harris

DEAN & BOWES Group, USM-quoted design and refurbishment contractor, is to buy TFL Group Holdings, a contract furnishing operator, for £6.63m.

The acquisition is to be financed by the issue of 4.35m shares. Dean & Bowes will issue additional shares to raise another £1.3m.

Dean & Bowes yesterday also announced a 60 per cent rise in pre-tax profits to £605,000 (£378,000) for the six months to June 30. The advance was achieved on turnover which more than doubled to £4.98m (£2.33m). Earnings per share rose to 5.35p, and the interim dividend is lifted to 2p (1.5p).

The acquisition of TFL extends the scope of Dean & Bowes' activities from its present work in pubs, clubs, discotheques and holiday centres.

TFL specialises in hotel interior design and refurbishment and also has contracts for conference centres and educational establishments. In the year to June 30, it made profits of £648,000, after adjustments for directors' remuneration, on turnover of £7.42m.

Of the 5.23m shares to be issued, 2.35m will be retained by the vendors and 170,000 will be taken up by directors. The balance will be offered to Dean & Bowes shareholders at 150p on the basis of four for every 11 already held.

Druck rises despite weak dollar

DESPITE THE adverse effects of the weaker dollar, Druck Holdings, USM-quoted electronic pressure measuring equipment manufacturer, lifted pre-tax profits by 18 per cent to £3.14m in the 12 months to the end of June 1988. Turnover rose 15 per cent to £14.33m.

Some 64 per cent of group sales emanate from exports and Mr John Salmon, chairman, said the weaker dollar reduced profits by over £200,000. However, improved manufacturing efficiency, control of overheads and reduced interest charges resulted in earnings per 5p share rising 21 per cent from 26.2p to 31.8p.

Mr Salmon said the group began the current year with an order book of about £6.5m. Druck was continuing to identify new products and applications, to improve existing sales outlets and to find new market areas, he added.

The recommended final dividend is raised to 4p, making 6.2p (5.2p) for the year.

Polymark up 59% to £881,000

POLYMARK International, laundry equipment, labelling systems and technographics group, increased profits by 59 per cent in the six months to June 30. The taxable result rose from £553,000 to £881,000 on sales up from £15.03m to £17.04m. Earnings per 10p ordinary share rose 61 per cent to 2.75p.

The interim dividend is being reinstated on the "A" shares, absorbing £154,000. Mr Len Weaver, chairman, said it was premature to resume payments on the ordinary shares until the group had achieved the level of profits necessary to sustain dividend payments on both classes of shares.

The French division recorded substantial growth in turnover and profits were £711,000 (£265,000). Demand for laundry equipment continued to rise strongly and Raleigh France, the bicycle distributor acquired in 1987, contributed significantly to turnover. However, Mr Weaver warned that trading in the second half would be held back by the usual third-quarter seasonal decline.

The laundry division continued to raise market share in the UK, but the profit contribution of £224,000 (£207,000) reflected the competitive business. The order book had since strengthened and the division's profit performance for the year was expected to "be much better than 1987".

Rationalisation of the technographics division reduced losses from £104,000 to £43,000. In the US Polymark Corporation continued to operate well.

Jersey Genl agreed bid for Asset Trust

JERSEY GENERAL Investment Trust, which earlier this year was taken over by futures and options broker LIT Holdings, has announced a recommended £14.1m offer for Asset Trust, a fund management company run by Mr Brian Banks.

The offer takes the form of a share swop – one Jersey General share for every six in Asset Trust. JGIT says its formula asset value at end-September was 565p a share and that on this basis the offer values Asset Trust shares at 94p each and the whole company at just over £14.1m.

According to JGIT, this is an opportunity to expand existing fund management operations. Mr Banks will become an executive director of JGIT while Sir David Rowe-Ham, chairman of Asset Trust, will become chairman of JGIT in place of Mr Michael Middlemas, who is also chief executive of LIT.

Asset Trust has around £120m under management. In 1987 it made profits before tax of £304,000 after an £898,000 exceptional item. Asset Trust directors, speaking for 10.7 per cent of the shares, have given irrevocable undertakings to accept.

Grampian Hldgs almost double

A significant advance in its pharmaceutical division helped Grampian Holdings almost double group sales and profits in the six months to June 30.

The pre-tax result at this Glasgow-based conglomerate surged from £1.64m to £3.18m on sales of £50.21m (£25.48m).

Earnings rose to 5.94p (3.64p) and the interim dividend is raised to 1.7p (1.25p).

Pitlochry Knitwear, acquired in May, together with Moffat Woollens, form a new divisional holding company, Grampian Retail.

Bouygues builds W Kent Water stake

By Andrew Hill

SAUR (UK), a subsidiary of Bouygues, the French construction and service company, has declared a 15.9 per cent stake in West Kent Water, joining a motley collection of major shareholders in the statutory company.

On Tuesday, Mr John Stansby, SAUR (UK) chairman, said Bouygues intended to buy controlling interests in the UK's 29 statutory water companies, which work alongside the 10 water authorities, likely to be privatised next year.

However, SAUR – which shared Trafalgar House's water company investments until this week – is likely to face difficulties if it attempts to gain control of West Kent.

The company is 29.9 per cent owned by Associated Insurance Pension Fund, an investment vehicle for Australian businessman Mr Duncan Saville, who used to work for Sir Ron Brierley, the New Zealand entrepreneur. Mr Saville also has large stakes in two adjacent water companies, Mid-Sussex and East Surrey.

A further 10.82 per cent of the voting stock is held by Southern Water Authority, although the legality of the authority's purchase of water company shares is in dispute.

Swallowfield heads for USM

By David Waller

Swallowfield, Somerset-based manufacturer of toiletry and household products in aerosol form, is joining the Unlisted Securities Market via a placing handled by County NatWest.

County is placing 8.063m shares at 145p each, representing 31.4 per cent of the enlarged equity. Net proceeds to the company will be £2.25m and, at the placing price, Swallowfield will have a market capitalisation of £14.1m.

The company was the subject of a management buy-out from Cadbury Schweppes in February 1986. Since 1983, pre-tax profits have risen from £149,000 to £1.34m.

The placing is being supported with a forecast that pre-tax profits in 1988 will be 37 per cent ahead at £1.85m.

Dealings in the shares are expected to begin on October 13.

Billam recovers

J Billam continued its recovery in the first half of 1988. On turnover up 76 per cent to £2.19m, the Sheffield-based precision sheet metal engineer reported pre-tax profits of £32,309. In the same period last year, the group incurred a loss of £46,497, but ended the year with profits of £11,889.

Earnings per 10p share were 1.5p against losses of 2.35p and the interim dividend is set at 1.64p (1.6p).

Racal sets date for flotation

By Hugo Dixon

Racal, UK electronics group, has set next Wednesday, October 12 as the "impact day" for the flotation of its Racal Telecom subsidiary, which includes Vodafone, the car phone operation.

Racal had said it would sell the shares at between 1.55p and 1.85p, giving a capitalisation of between £1.55bn and £1.85bn. It indicated earlier this week that it was now aiming to sell in the top half of that range. The final price will be set on Tuesday night.

Hazlewood acquisition

By Vanessa Houlder

HAZLEWOOD FOODS, fast-growing food manufacturing group, has continued its tradition of small bolt-on acquisitions with the purchase of a Dutch seafood company for £8.7m.

Hazlewood Europe, the company's Dutch subsidiary, has bought 90 per cent of Heiploeg Beheer for Fl 30.6m in cash. The company, which principally produces shrimps for EC countries, will be added to the seafood businesses of International Shellfish, Sterk and Olaf, Hazlewood subsidiaries.

In 1987, Heiploeg made pre-tax profits of Fl 5.6m on turnover of Fl 159m. It had assets of Fl8.4m.

In keeping with Hazlewood's normal policy, the vendors will continue to manage the business on a day-to-day basis and have entered into a five-year service contract with Hazlewood.

Norish improves 15% to £1.04m

Norish, refrigerated food storage and frozen food distributor based in County Monaghan in the Irish Republic, reported a 15 per cent rise in pre-tax profits from I£1.06m to I£1.22m (£1.04m) in the six months to June 30.

Turnover increased 20 per cent to £7m (£5.86m) and the tax charge rose to £250,000 (£185,000). Earnings per 20p share were up to 3.42p (2.27p). The interim dividend is 3.2p.

Mr Gerard Cashin, chairman, said that the food storage division had expanded into the UK but, due to reductions in EC aid, volumes and margins in the Irish operation had contracted.

Manor National up 17% midway

Manor National, Manchester-based vehicle sales and leasing group, lifted pre-tax profits by 17 per cent, from £780,000 to £914,000, in the six months to June 30.

Turnover increased 26 per cent to £35.49m (£28.16m) and the chairman said all the dealerships had benefited from the continuing high level of the new vehicle market.

Some caution was needed for the second half given the recent rises in interest rates, he said, but the full year's result should be satisfactory.

Earnings worked through at 4.1p (4.3p) per share, and, after an extraordinary £125,000 credit this time, at 4.8p.

Mecca spells out effects of £745m bid on earnings

By David Waller

Mecca Leisure has spelt out the likely effect on its earnings were its £745m bid for Pleasurama to succeed. Its claims for the level of earnings dilution for the combined group are considerably more optimistic than the calculations of many analysts and, more predictably, those of Pleasurama.

In its final offer document, Mecca provided a table of illustrative figures, suggesting that dilution for 1989 would be as little as 1 per cent if Mecca's earnings climbed 10 per cent from the 14.4p forecast for 1988, combined with synergy benefits of 8 per cent of the combined group's pre-tax profits.

Dilution falls to nil if synergy benefits are 9 per cent, and, according to Mecca, there would actually be earnings enhancement of 1 per cent if synergy benefits amounted to 10 per cent.

Pleasurama dismissed the figures saying that the true figure for dilution would be around 15 per cent in the first year of the merger.

CONTRACTS

£20m North Sea oil project

A contract, valued in excess of £20m, has been awarded to REDPATH OFFSHORE, part of the offshore and structural division of the Trafalgar House Group, by Hamilton Brothers Oil & Gas, operator for the Ravenspurn North Development partners.

The contract covers the fabrication, fit-out and full onshore commissioning of an integrated deck structure including process equipment, power generation and utilities and incorporating accommodation for 46 men.

The integrated deck forms part of the Ravenspurn North Development which is located in block 43/26a of the North Sea's southern basin. The deck will be supported on a concrete gravity structure which will stand in 43 metres of water some 60 kilometres east of Hull. The deck is to be bridge linked to an adjacent wellhead platform and to a future gas compression platform.

The structure comprises three levels and incorporates a vent tower and an aluminium helideck. The overall deck dimensions are 80 metres long x 36 metres wide x 25 metres high and the structure, when complete will weigh approximately 6,250 tonnes.

Work on the contract has already commenced and the project is due for completion at the end of March 1990. The main assembly of the structure will take place at Redpath Offshore's Linthorpe Dinsdale facility on Teesside with components also being fabricated at its Port Clarence facility. Total numbers employed will peak at around 600 men.

West End offices development

WALTER LAWRENCE CONSTRUCTION, through its operating division Walter Lawrence City & Southern, has been awarded seven contracts with a total value of £9.35m. In London, Walter Lawrence is constructing a four-storey office block and light industrial unit at 20-22 Bedfordbury, WC2. Designed by the Rolfe Judd Group Practice, the scheme will be stone and brick clad and will cost about £3.5m.

At United Kingdom House in Oxford Street, the company is stripping and replacing the finishes to the reception area for Anfield Properties at a cost of £500,000 and is carrying out an office refurbishment for CCF Group in the City of London for £1m.

On behalf of Ravenseft Properties, Walter Lawrence is enclosing the shopping centre at Little Walk, Harlow, Essex with glazed roofing. Associated services with terrazzo paving will also be provided and the total cost of the work will be £2.3m. In Gravesend, Kent, sheltered housing accommodation is being constructed at a cost of £2.3m.

In Crawley, Sussex, for Pearl Assurance, the company is altering and refurbishing the roof and providing glazing to a retail building in Queen's Square at a cost of £600,000 and in Upton Road, Watford, Walter Lawrence is refurbishing an office development for Joyhelm at a cost of £250,000.

£7.7m batch for Mowlem Group

New business totalling £7.7m has been awarded to MOWLEM including over £6.5m of design and construct contracts. In Humberside a £1.6m project is underway for the Exxtor Group at Immingham. Work comprises a paper store and distribution depot. In South Yorkshire, work, valued at £500,000, has started on Phase III of Goldthorpe Industrial Estate for English Estates.

On Teesside construction has started on the £1.4m Riverside Park project, comprising 31 industrial units, for Brighouse Taxinvest Developments, and a number of factory units are underway for English Estates at Thornaby.

Among contracts on Tyneside is further expansion work for J. Barbour and Sons, involving offices and warehouse, valued at £1m.

New business has also been awarded in the Midlands and South East. At Ellistown, Leicestershire, work is in progress on Hepworth's new brickworks. Mowlem Industrial is carrying out the design and construction for contractor Walter-Craven Ceramic Projects. At Finchampstead, Berkshire, an office and warehouse contract is being undertaken for Instafoam.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

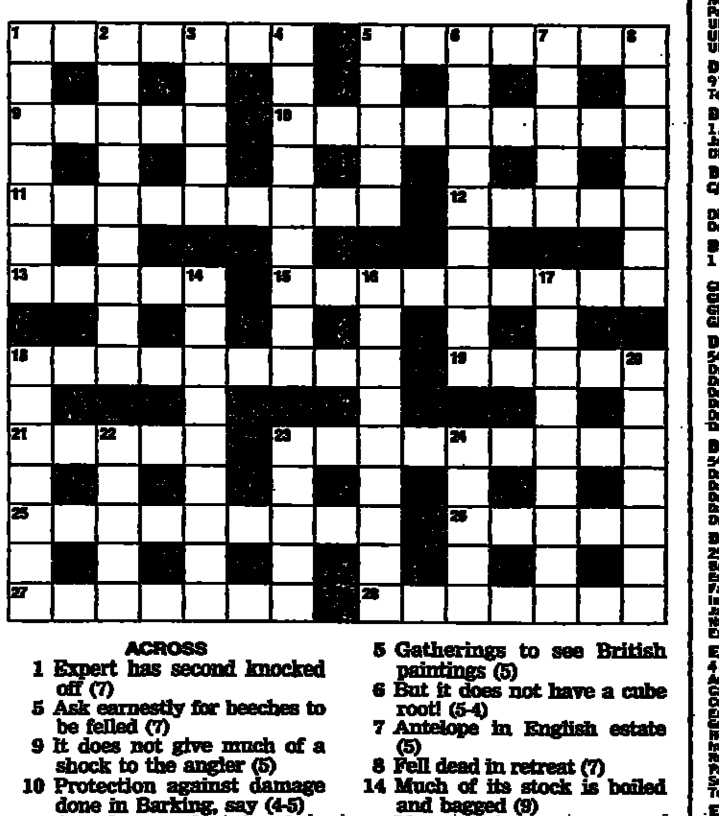
[illegible]

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD				
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO				
FT 30		FTSE 100		WALL STREET
Oct. 1469/1478 +12		Oct. 1824/1834 +17		Oct. 2104/2116 -1
Dec. 1472/1481 +13		Dec. 1828/1838 +18		Dec. 2111/2123 +1

Prices taken at 5pm and change is from previous close at 9pm

CROSSWORD

No. 6,753 Set by DINMUTZ



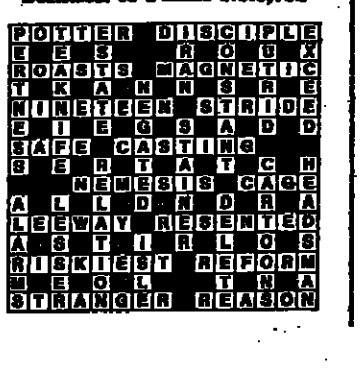
ACROSS

1 Expert has second knocked off (7)
5 Ask earnestly for beeches to be felled (7)
9 It does not give much of a shock to the angler (5)
10 Protection against damage done in Barking, say (4-5)
11 Guard seen changing into overalls (9)
12 Ropy sort of a show (5)
13 Do these birds have hard lines? (5)
15 Old scientist and the claims he made (9)
18 State of talking-bird swallowing wrong notes (9)
19 Theme of leading Olympic finalists (5)
21 Just fitting (5)
23 Where a countercharge is made for self-service (9)
25 Pine cabin, perhaps, of some natives (4-5)
26 Rod has changed to this paper (5)
27 Maker of theatre cuts when numbers are working (7)
28 Sensitive type in an electrical circuit? (7)

DOWN

1 Slim, second one to ignore advice from Polonius (7)
2 Discovery of a short musical composition (9)
3 Insect that will provide grub (5)
4 Uncontrolled road-speed is criminal (9)
5 Gatherings to see British paintings (5)
6 But it does not have a cube root! (5-4)
7 Antelope in English estate (5)
8 Fell dead in retreat (7)
14 Much of its stock is boiled and bagged (9)
16 Master of the Rolls? (9)
17 Meaningful message given to worker (9)
18 Game of which Elgin was champion? (7)
20 Conservative leader and party-member gossip (7)
22 Gone off to a port in Italy .....(5)
23 .....rustic fellow caught having a fling (5)
24 Noted work of police corruption? (5)

Solution to Puzzle No.6,752



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Sun Life Trust Mngmt Ltd (1200)H
101, Cannon St, London EC4N 5AD
Admin & Enq 01-606 4044 Dealing 01-606 6010

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Master Portfolio	5½	27.84	27.84	29.70	+0.05	0.00
Amer Growth Acc	5½	33.41	33.64	36.00	+0.16	2.75
Amer Income Acc	5½	30.35	30.55	32.40	+0.34	4.47
Amer Income Inc	5½	27.80	27.96	29.73	+0.34	4.47
Cap Protector Acc	5½	23.97	24.32	26.01	+0.15	5.51
Cap Protector Inc	5½	23.50	23.84	25.50	+0.14	5.51
Euro Growth Acc	5½	43.11	43.11	46.11	+0.21	0.00
Euro Income Acc	5½	22.65	22.65	24.22	+0.09	3.87
Euro Income Inc	5½	21.73	21.73	23.24	+0.05	3.87
Far East Gwth Acc	5½	56.74	56.74	60.68	-0.29	0.00
Intl Growth Acc	5½	38.57	38.57	41.25	+0.03	2.67
Japan Growth Acc	5½	87.75	88.25	94.36	-1.79	0.00
UK Growth Acc	5½	44.22	44.40	47.49	+0.04	3.07
UK Income Acc	5½	50.31	50.62	54.14	+0.05	4.83
UK Income Inc	5½	44.63	44.90	48.02	+0.05	4.83
Mngd Growth Acc	5½	50.34	50.54	54.05	+0.02	2.18
Mngd High Yield Inc	5½	65.32	66.24	70.84	+0.23	5.56
Mngd Income Inc	5½	57.03	57.69	61.70	+0.12	4.62

Swiss Life Pen Tst Man Co Ltd (1000)H
99-101 London Rd, Sevenoaks 0732-450161

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Equity Dist	5	330.7	335.7	356.2	+4.0	3.08
Equity Acc	5	424.4	430.8	455.9	+5.2	3.08
Fixed Int Dist	5	117.7	119.8	126.1	+0.4	9.03
Fixed Int Acc	5	208.7	212.2	219.9	+0.8	9.05

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	5	101.14	101.34	107.47	+0.38	2.10
Do Accum	5	108.56	108.56	115.35	+0.40	2.10
TSB Brit Growth	5	54.36	54.36	57.83	+0.19	5.27
Do Accum	5	56.89	56.89	60.52	+0.42	5.27
TSB European	5	51.36	51.36	54.53	+0.40	1.13
Do Accum	5	52.65	52.65	56.01	+0.41	1.13
TSB Extra Income	5	143.79	145.60	154.89	+2.69	[illegible]
Do Accum	5	185.68	187.94	199.94	+3.47	[illegible]
TSB Smaller Cos	5	52.62	52.62	55.98	+0.29	1.22
Do Accum	5	53.55	53.55	56.97	+0.28	1.22
TSB General	5	177.73	177.73	189.07	+1.57	3.55
Do Accum	5	307.65	307.65	327.29	+2.71	3.52
TSB Gilt & Fxd Int	3½	47.79	47.79	49.42	+0.10	8.92
Do Accum	3½	72.15	72.15	74.62	+0.16	8.92
TSB Income	5	264.32	264.32	281.19	+1.86	4.97

[illegible]

Lazard Investors Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Grs
Small Co's Oct 3	4007.0	4425.2	—	1.4
European Oct 3	362.4	384.5	—	1.0
American Oct 3	283.8	292.2	—	2.[illegible]
Far East Oct 3	537.6	570.6	—	0.2
Australian Oct 3	139.5	148.0	—	2.4
Midlands Sept 15	220.0	239.1	—	0.0
Northumbria Sept 12	193.6	210.5	—	1.3
North West Sept 12	233.2	252.8	—	0.8
East Coast Sept 15	88.1	94.9	—	1.2
W Midlands Aug 31	198.6	219.2	—	1.5
Ind Lok Mkt Sept 20	132.4	135.1	—	4.4
Property Sept 1	2900.0	3050.0	—	5.3
Sec Gth Prp July 7	1360.0	1420.0	—	7.0

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Grs
Property Sept 30	211.95		—	5.71
Equity Sept 30	704.80		—	3.90
Fxd Int Sec Sept 30	98.95		—	9.49

* Available only to Local Authorities

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Mngd Pens (Acc)	55.2	58.8	+0.5	0.00

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Grs
Amer Expt Oct 5	40.5	42.0	+0.0	2.29
Euro Expt Oct 5	41.7	43.7	+0.0	2.63
Fixed Int Ex Oct 5	48.9	51.3	+0.0	9.[illegible]
Japan Expt Oct 5	52.5	54.6	+0.0	0.7[illegible]
Managed Ex Oct 6	38.5	40.0	+0.0	4.[illegible]
SE Asia Expt Oct 5	34.5	36.0	+0.0	1.[illegible]
Sm Cos Expt Oct 5	43.0	45.1	+0.0	2.82
UK Eqty Ex Oct 5	34.4	36.1	+0.0	4.[illegible]

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Grs
NC Property	191.5	209.3	—	—

Phillips & Drew Fnd Management Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
PDFM Small Co Fd	772.0	817.0	—	3.75
Do Accum	795.0	844.0	—	3.75
PDFM Int Exp Oct 6	125.4	127.5	-1.6	2.70

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Intl Exempt	93.66	94.73		-2.92

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	54.4	57.3	+0.1	—
Stock Market Mngd Fund	51.9	54.7	—	—
Equity Fund	56.1	59.1	—	—
International Fund	48.5	51.1	—	—
European Fund	49.7	52.4	+0.3	—
North American Fund	46.5	49.0	+0.3	—
Pacific Fund	57.7	60.8	-0.3	—
Property Fund	66.4	69.9	—	—
Fixed Interest Fund	32.7	33.5	+0.3	—
Index Linked Sec Fund	51.8	54.6	+0.2	—
Deposit Fund	54.4	57.3	+0.1	—
NUAM Retirement Plans				
Mixed Fund	57.8	60.8	+0.2	—
UK Ordinary Share Fd	65.0	68.4	+0.7	—
International Fund	49.9	52.6	-0.1	—
Property Fund	64.5	67.9	—	—
Fixed Interest Fund	56.4	59.4	+0.1	—
Index Linked Sec Fund	52.5	55.2	+0.1	—
Deposit Fund	58.3	61.4	—	—
NUAM (NF)				
Managed Fund	740.6	779.6	+0.7	—
Equity Fund	1461.1	1538.0	+1.6	—
Property Fund	413.8	435.6	+0.1	—
Fixed Interest Fund	389.1	409.6	+2.0	—
Deposit Fund	222.5	234.3	+0.1	—
International Fund	126.2	132.9	-0.1	—
Index Linked Sec Fund	52.0	54.8	+0.2	—

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd	106.49	112.09	+0.04	—
Managed Fd	116.77	122.91	+0.58	—
UK Equity Fd	120.25	126.58	+1.29	—
International Fd	118.60	124.84	-0.23	—
European Fd	111.72	117.60	+0.22	—
North American Fd	118.00	124.21	+1.66	—
Pacific Fd	109.75	115.53	-0.90	—
Property Fd	117.32	123.49	+0.02	—
Fixed Int. Fd	99.89	105.15	+0.17	—
Intl Bond Fd	106.82	112.45	+0.08	—
Bldg Soc Dep Fd	101.85	107.21	+0.03	—
Pensionmaster* & Unit-Linked Plus*				
Fixed Interest Fund	281.0	295.8	+0.9	—
Index-Linked Sec Fund	147.7	155.4	+0.4	—
Ordinary Share Fund	465.8	490.3	-3.8	—
International Fund	127.4	134.1	+0.2	—
Property Fund	199.1	209.6	+0.2	—
Deposit Fund	182.5	192.1	+0.2	—
Mixed Fund	318.5	335.2	-1.0	—
Norwich Units September 25		799.3	—	

*Prices as at October 4

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Dist. (Gross)	176.6	185.9	—	—
Prop. Acc. (Gross)	285.8	300.9	—	—
Equity (Gross)	666.3	701.4	+5.6	—
Managed (Gross)	477.4	502.6	+3.0	—
Prop. Acc. (Net)	192.1	199.1	—	—
Equity (Net)	155.8	164.1	+1.3	—
Managed (Net)	146.7	154.5	+0.9	—
International (net)	132.9	139.9	+0.5	—
Gilt & Fxd Interest	100.7	106.0	+0.2	—
Money Fund	101.2	106.5	—	—
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	453.4	477.3	+3.9	—
Ret Man (Series 2)	153.8	161.9	+1.3	—
Ret Man (Series 3)	101.2	101.2	+0.8	—
Ret Cash	125.4	132.0	+0.1	—
Ret Cash (Series 3)	102.8	102.8	+0.1	—

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pacific Initial	58.5		—	—
Technology Initial	83.8		—	—
Nat. Resources Initial	47.4		—	—
Japan Growth Initial	182.5		-2.7	—
European Initial	70.2		+0.4	—
Residential Prop Init	115.6		—	—
Swiss Equities Initial	32.4		+0.1	—
Hong Kong Initial	41.1		+0.1	—
UK High Inc Eq Init	60.5		+0.5	—
Int Fixed Interest Init	48.4		+0.2	—
Int Managed Init	46.5		+0.2	—
Broker Fund				
Towerhill Mngd Fd Acc	46.9	49.4	+0.7	—
High Performance	59.8	63.0	—	—
YRA Executive Fd	77.6	81.8	+0.1	—
Investment Master	58.8		+0.	—
H.F. Speculator Fd	110.9		+0.9	—
€ High Inc Money Fd	103.1		—	—
£ Global Growth Fd	103.1		—	—
PEP Acorn P	99.4		+0.3	—
AAFS Int. Man Fund	99.6		+0.3	—
Individual Pension Funds				
UK Equity Acc	207.5	218.7	+2.5	—
UK Fixed Interest Acc	160.1	168.9	+0.4	—
Intl Equities Acc	165.8	174.9	+2.1	—
UK Managed Acc	149.2	157.3	+0.8	—
Property Acc	184.4	194.6	+0.3	—
Money Acc	113.9	120.2	—	—
Special Market Acc	136.6	144.1	+0.8	—
Japanese Acc	216.4	228.3	-3.0	—
North American Acc	110.9	117.0	+0.2	—
Pacific Acc	131.7	139.0	-0.2	—
Technology Acc	134.9	142.4	-0.2	—
Natural Resources Acc	91.1	96.2	—	—
Japan Growth Acc	250.3	264.1	-3.8	—
European Acc	84.6	89.3	+0.6	—
Residential Prop Acc	121.7	128.4	—	—
Swiss Equities Acc	32.2	34.0	+0.1	—
Hong Kong Acc	40.5	42.8	+0.2	—
UK High Inc Equ Acc	64.3	67.9	+0.6	—
Int. Fixed Interest Acc	48.9	51.6	+0.1	—
Int. Managed Acc	46.3	48.8	+0.2	—
Broker Fund				
Towerhill Mngd Pen Acc	39.4	41.5	+0.7	—
Group Pension Funds				
Equity Acc	607.7	626.5	+5.4	—
Fixed Interest Acc	456.1	470.3	+0.3	—
Managed Acc	102.2	104.2	+0.3	—

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund	894.3	939.0	—	—
Equity Fund	200.0	210.0	—	—
International Fd	132.5	139.1	—	—
Fixed Interest Fd	150.9	158.4	—	—
Property Fund	196.3	206.1	—	—
Index-Linked Fund	125.8	132.1	—	—
Deposit Fund	130.4	136.9	—	—
Pens. Mixed (Grd) Fd	207.9	218.3	—	—
Gold Pensions				
Discretionary Fund	100.8		—	—
Equity Fund	98.1		—	—
Fixed Interest Fund	103.2		—	—
International Fund	98.8		—	—
Property Fund	116.9		—	—
Index-Linked Fund	102.8		—	—
Deposit Fund	102.2		—	—
S & F Consolidation	101.7		—	—
S & F Balanced	98.7		—	—
S & F Maximum Growth	95.8		—	—

Provident Mutual Life Assc. Assn.
Wilton Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	289.8	305.1	+0.8	—

[illegible]

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100¾	99[illegible]	Treas. 9½pc '88	99[illegible]xd	—	—	—
102[illegible]	99[illegible]	Treas 11¼pc 1989	99[illegible]	—	11.51	11.38
101[illegible]	98[illegible]	Treas 9½pc Cnv 1989	99½[illegible]	—	9.58	11.25
97¾	95[illegible]	Treas 3pc 1989	96[illegible]	+[illegible]	3.10	8.58
102[illegible]	99[illegible]	Treas 10½pc 1989	99[illegible]	—	10.59	11.23
102	98[illegible]	Exch. 10pc 1989	99[illegible]	—	10.09	11.11
103[illegible]	99[illegible]	Exch 11pc 1989	100[illegible]	+[illegible]	10.99	10.93
97[illegible]	94[illegible]	Treas 5pc 1986-89	95½xd	—	5.24	9.71
104[illegible]	98¾	Exch 10¼pcCv '89	99[illegible]	+[illegible]	10.28	10.31
107¼	102¼	Treas 13pc 1990‡‡	103[illegible]	+[illegible]	12.60	10.19
104¼	100[illegible]	Exch 11pc 1990‡‡	100[illegible]	+[illegible]	10.90	10.18
107[illegible]	102[illegible]	Exch. 12½pc 1990	102[illegible]	+[illegible]	12.15	10.30
93¾	90[illegible]	Treas. 3pc 1990	91½xd	—	3.28	8.95
99¾	95[illegible]	Treas 8¼pc 1987-90‡‡	97¼	+[illegible]	8.49	10.11
102¼	95¼	Treas. 8pc Cv 1990‡‡	98¼	+[illegible]	8.11	8.80
103[illegible]	98[illegible]	Treas. 10pcCv 1990	99[illegible]xd	+[illegible]	10.04	10.22
91[illegible]	87[illegible]	Exch 2½pc 1990	88¼	+[illegible]	2.83	8.56
107¼	101[illegible]	Treas 11¾pc 1991	102[illegible]	+[illegible]	11.41	10.19
95[illegible]	90[illegible]	Funding 5¾pc '87-91‡‡	91[illegible]	—	6.28	9.67
90[illegible]	86[illegible]	Treas. 3pc 1991	87[illegible]	—	3.44	8.62
105[illegible]	98[illegible]	Treas 10pc Cv '91‡‡	100¼	+[illegible]	9.960	9.85
107[illegible]	100[illegible]	Exch. 11pc 1991	102[illegible]xd	+[illegible]	10.76	10.14
98[illegible]	92[illegible]	Treas. 8pc 1991	94¼	+[illegible]	8.50	10.19
113[illegible]	105[illegible]	Treas 12¾pc 1992‡‡	107[illegible]	+[illegible]	11.89	10.08
104[illegible]	98[illegible]	Treas 10pc 1992	99[illegible]	+[illegible]	10.09	10.07
98[illegible]	92¼	Treas. 8pc 1992‡‡	93[illegible]xd	+[illegible]	8.51	10.06
106¼	99½	Treas 10¼pc Cv 1992‡‡	101[illegible]xd	+[illegible]	10.37	10.10
86[illegible]	82¼	Treas. 3pc 1992	83[illegible]	—	3.61	8.40
112[illegible]	104[illegible]	Exch. 12¼pc '92	106[illegible]	+[illegible]	11.49	10.11
117[illegible]	108[illegible]	Exch 13½pc 1992	110[illegible]	+[illegible]	12.19	10.14
97[illegible]	91¼	Treas 8¾pc 1993	93[illegible]	+[illegible]	8.81	10.06
105[illegible]	97[illegible]	Treas 10pc 1993‡‡	99[illegible]xd	+[illegible]	10.01	10.02
115[illegible]	107[illegible]	Treas 12½pc 1993‡‡	109[illegible]	+[illegible]	11.48	10.08
93[illegible]	87[illegible]	Funding 6pc 1993‡‡	89[illegible]	+[illegible]	6.79	8.98

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

LONDON STOCK EXCHANGE

Stock shortage pushes equities ahead

THE ADVANCE in London's equity market continued yesterday although the domestic institutions retreated to the sidelines again, leaving marketmakers to compete with one another for stock. BZW will cut dealing spreads and bargain sizes across the board today, indicating growing tensions in the market.

The day started with strong, if selective demand from the US, which featured pharmaceutical and banking stocks. BP shares improved as the market continued to take a fairly relaxed view of the UK ruling on the Kuwait Investment Office holding. Hefty turnover was seen again among store shares which many analysts regard as oversold. The market opened 12 points up on the FT-SE scale "almost before a share was traded," to quote one international dealer.

Account Dealing Dates		
*First Dealings: Sep 19	Oct 3	Oct 17
Option Declarations: Sep 29	Oct 13	Oct 27
Last Dealings: Sep 30	Oct 14	Oct 28
Account Day: Oct 10	Oct 24	Nov 7

*New time dealings may take place from 9.00 am two business days earlier

However, the overhang of buying orders from both domestic and US institutions was soon completed and early gains were largely eliminated. A later upswing, which took market indices to their best levels of the day, owed much to a frantic search for stock by marketmakers needing shares to meet Tuesday's sales to the institutions.

The FT-SE Index closed 12.6 up at 1838.9, just below the day's peak. Activity in FT-SE Index futures encouraged equities.

The index has put on 70 points over the past month, with this week bringing some genuine institutional buying as distinct from the speculative excitement reignited by the latest bid moves.

Seaq-recorded volume, which takes in both customer and inter-market deals, remained high yesterday, when 573m shares traded compared with 570.8m in the previous session.

With stock now very short in most of the leading blue chips, genuine investment business was buried beneath the deals between marketmakers. One leading investment house said that 54 per cent of its business yesterday consisted of sell orders, which indicates that some investors are cautious ahead of today's disclosure of US employment data.

The timing of the British Steel flotation for the second half of November was no great surprise, nor does its cash total, at around £2.5bn, present any major problem for domestic institutions with cash balances currently at historic highs. At Warburg Securities, Mr John Graham commented that the strength of the US and Japanese steel industries could bring strong overseas demand for the British Steel placing, for which 30 per cent foreign participation has been targeted. With overseas holdings limited to 15 per cent, no parallel is seen with the troubled Kuwait-BP situation.

Consolidated Gold Fields had an active session, closing little changed, however, following the latest moves in the battle with Minorco.

FINANCIAL TIMES STOCK INDICES

	Oct 6	Oct 5	Oct 4	Oct 3	Sep 30	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.39	88.10	88.04	87.98	87.92	88.55	91.45 (18/4)	86.28 (2/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.70	96.70	96.69	96.71	96.56	91.66	98.67 (25/5)	94.14 (9/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1491.5	1471.7	1457.6	1455.8	1476.5	1869.9	1614.7 (8/8)	1349.0 (9/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	174.2	173.0	172.6	171.1	171.6	445.8	212.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Oct 6	Oct 5	Oct 4	Oct 3	Sep 30	Year Ago
Ord. Div. Yield	4.67	4.70	4.74	4.74	4.68	3.15
Earning Yld %(full)	11.77	11.85	11.99	11.95	11.80	7.73
P/E Ratio(net)(*)	10.29	10.22	10.13	10.12	10.26	15.93
SEAQ Bargains(5pm)	24,721	23,268	21,660	21,197	27,626	42,133
Equity Turnover(£m)	-	1367.24	977.07	835.72	1230.20	1612.68
Equity Bargains†	-	22,619	22,237	23,393	28,320	51,240
Shares Traded (ml)†	-	603.7	366.5	368.1	462.4	825.5

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1482.1	1479.3	1478.3	1472.5	1474.4	1475.8	1477.1	1482.2

DAY'S HIGH 1493.2 DAY'S LOW 1471.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=10.21 †Excluding intra-market business

S.E. ACTIVITY

Indices	Oct 5	Oct 4
Gilt Edged Bargains	109.2	102.9
Equity Bargains	147.8	144.1
Equity Value	2783.6	1974.9
5-Day average		
Gilt Edged Bargains	97.4	98.7
Equity Bargains	169.0	169.1
Equity Value	2316.9	2127.2

● London Report and latest Share Index: Tel. 0898 123001

Coal gets Touche flagship

The fate of TR Industrial & General Trust, flagship of the shrinking number of Touche Remnant investment trusts, has been sealed less than twenty four hours after the Department of Trade announced that the bid from British Coal Pension Funds (BCPF) would not be referred to the Monopolies and Mergers Commission.

BCPF announced victory following Wednesday's late raid on the market which netted sufficient shares to give it control. The buying continued yesterday at the offer price of 129¼p for each TRIG share, pushing turnover to a high level again at 72m, but not moving the price. The pension funds were able to increase the overall stake well beyond 60 per cent and declare the offer unconditional. It will remain open until at least October 12.

Re-investment of the proceeds resulting from sales of TRIG shares gave the trust sector a shot in the arm. Numerous stocks benefited, although investors tended to favour the well-established issues with portfolios heavily weighted towards UK equities.

Ultramar placed

Turnover in the new shares of Ultramar was significantly boosted by the placing of the "rump" of the rights issue – 5.4m shares – at 245p a share. Ultramar shares have risen substantially during the past few weeks accompanied by stories that a stake-building operation has been carried out.

The old shares of the oil group finally closed 2 firmer at 253p on turnover of 1.3m while the "new" ended the same amount to the good at 253p after turnover of 11m.

Sir Ron Brierley is known to have upped his stake in Ultramar to 14.1 per cent, while there have been rumours in the market that other parties have been accumulating stakes in the company.

Premier Consolidated, known to have a holding of at least 2 per cent in the company, has been mentioned as a possible buyer of Ultramar shares, as has LASMO, currently auctioning its 25 per cent-plus stake in Enterprise.

Racal Electronics shares surged ahead to close 5 higher at 310p on turnover much increased at 5.7m. Dealers reported another significant increase in interest in the shares from across the Atlantic.

The US buying demand has apparently been triggered by the series of roadshows organised by the company's US advisers.

Talk in the market yesterday suggested that the flotation of Racal Telecommunications Group could raise as much as £250m if the RTG shares are sold at anything like the expected price which should be revealed next Wednesday.

Speculation yesterday was that the stock would be offered at 175p a share, at the top end of the 155p to 185p range for the share sale.

The sale of the stock would realise around £350m for the Racal group. BZW yesterday upped its 1989 profits forecast for Racal from £239m pre-tax to £250m pre-tax.

The oil and gas market was again upset by worries over the crude oil market which was hit by stories that oil production is currently at it highest levels for eight years and that the Saudis could well continue to increase output until other OPEC producers come into line.

The sector dipped back early in the session, additionally worried by news of the Monopolies and Mergers Commission inquiry into petrol retailing, before steadying late in the day. BP, staging a strong run after the KIO/MMC inquiry news settled 3½ higher at 242p, while the new were 4½ better at 140½p on turnover were 9.9m and 6.1m respectively.

Enterprise Oil fell back to 624p but later rallied to close 8 down at 634p (turnover was 2.1m) with the market awaiting news of the sale of LASMO's 25% stake in the company. LASMO, initially sold down to 549p, rallied slightly to close only a net 8 off at 551p.

Sovereign Oil & Gas posted an outstanding gain, up 6¼ at 169p, still boosted by vague takeover speculation. Exploration Company of Louisiana remained in the limelight and closed 9 to the good at 121p on talk of imminent bullish exploration news.

International stocks were lifted by overnight demand in New York and were generally improved. Dealers reported a gradual shift in sentiment as institutions showed signs of returning to the market. Once again, Glaxo led the way, ending the day with a rise of 20 to 1105p, after 1109p. Turnover was a heavy 4.5m shares. Interest was stimulated by heavy Wall Street buying on Wednesday, said to have emanated from brokers Sanford Bernstein and Wertheim Securities.

Dr Jonathon Gelles of Wertheim Securities in New York confirmed that, "We have been active this week and last week. This follows our recommendation at the end of August that clients should aggressively buy Glaxo at around $16 per share, based on fundamentals and on the expectation that the UK rating would improve after its results." London dealers agreed that there was a shortage of stock helping the price rise.

Fisons enjoyed above average turnover (4.3m shares), but was described as dull and fell 2 to 255p. Beecham rose 6½ to 470p in quietly firm trading. Wellcome ran up early on news of the Robert Fleming research report, but levelled out to close 5 better at 521p in moderate turnover.

Hanson was well supported in the US for its rise of 3 to 149¾p. Turnover was 10m shares, renewing speculation that news of an acquisition may be imminent. LIG faded 6 to 219p after Dunlop Pacific erased recent bid rumours.

Trading in the high street retailers remained at a high level as market sentiment towards the sector took a distinct turn for the better. Despite the current uncertain outlook, several investment houses are starting to take a positive view of the sector in the wake of a long spell of underperformance.

However, by the end of the day, movements were usually small and mixed.

Gus A, however, left out in the previous day's general advance, were noteworthy for a rise of 17 at 1051p. Amid continuing bid speculation, Sears (133½p) were again the most actively traded stock (10m) in the sector. Next (179p) in a volume of some 6.3m shares were not too far behind.

The banks sector included a number of big trading stocks – TSB jumped 2½ to 109p on turnover of more than 10m shares, with Salomon Brothers said to have been keen buyers of the stock.

Standard Chartered came under persistent small selling pressure and settled a net 7 off at 531p. Barclays were strongly supported and rose 4 to 421p with 1.6m shares traded, while Lloyds, where turnover expanded rapidly to some 5m shares, added 3 at 325p.

There was a slight stutter in Royal Bank of Scotland where rumours of a rights issue held the shares around the 349p mark. The insurance market featured strong support for the composite sector.

Brewery stocks were patchy, with interest focusing on situation stocks. Scottish & Newcastle rose 10½ to 363p in turnover of 6.3m shares largely between dealers. There was some disagreement among traders as to what this signified, but on balance it appeared the market was chronically short of stock. Rumours of a European buyer were dismissed.

Bass was the other star performer, gaining 11 to 802p, although turnover was a modest 716,000 shares, much of it between marketmakers.

Grand Metropolitan rose 8 to 452p in turnover of 6.8m after a buyer of 500,000 shares lifted them off their low of 438p. There was less switching activity reported.

Ladbroke benefited from a confident statement on the performance of its Hilton hotel group and from presentations to Edinburgh fund managers on Wednesday. In turnover of 2.1m the shares rose 12 to 463p.

Television issues received a boost in their ratings after HTV reported good results and responded with a 23 rise to 248p.

The Building sector was featured by A. McAlpine which plummeted 65 to 299p as the company announced that profits for the full year will be significantly lower than those for last year.

British Airways, a current favourite with a number of investment houses, were again actively traded. Some 5.5m shares changed hands before the price settled a shade easier on the day at 158p. Rank Organisation improved 9 to 718p; Shearson Lehman Hutton recommends an above average weighting in the shares which it says are undervalued.

Aurora came into the spotlight, racing ahead to close 22 higher at 140p as the company announced a bid approach from Australian National Industries. There was another good volume of business in Rolls-Royce (136p) in the wake of the engine design deal with Kawasaki Heavy Industries of Japan.

The walk-out at the Coventry assembly plant held Jaguar back and the close was unaltered at 257p. Lucas Industries was another to backtrack to 586p, but FR Group extended Wednesday's rise to end 4 up at 228p. Kitcat & Aitken favours FR for recovery prospects and urges investors to accumulate holdings while the the share price remains close to the 12-month low point.

Property shares enjoyed a firm trading session, interest being being enlivened to a certain extent by a review of the sector from Kleinwort Benson. Among a handful of recommendations, British Land were outstanding at 354p, up 18, along with Brixton, 10 to the good at 345p, and Land Securities, a similar amount higher at 584p.

Traders offered a variety of reasons for another surge in P&O shares, up 16 at 585p. They ranged from views of limited downside and strong fundamentals, a prolonged period of market underperformance, property attractions and a squeeze on marketmakers' short positions. Volume of less than 1m shares suggested that the last-named was probably nearer the truth.

Courtaulds recovered for the second session running, closing 7 higher at 293p after volume of 2.5m shares. Citicorp Scrimgeour Vickers visited the group's paint division recently and has trimmed profit forecasts for both this year and next. The securities house warns of the risk of further underperformance, although the presence of the Kerry Packer stake could cause a speculative rally from around current levels. Illingworth Morris reacted further to 194p, still reflecting termination of the discussions with one of the interested parties, Allied Textile, which may have led to an offer.

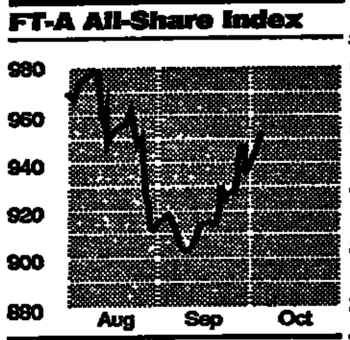
Analysts awarded buy recommendations to Harrisons & Crosfield after Wednesday's sparkling interim figures, but the shares settled slightly lower at 668p. James Finlay went higher, although some researchers regard the stock a sell.

Publicity given to speculation of further stakebuilding sparked off renewed activity, but scant upward progress, in shares of Lonrho. The latest gossip is that Bond Corporation holds around 2 per cent of the shares.

Activity in the Traded Options market remained at a relatively high level yesterday, totalling 40,061 contracts, comprising 27,953 calls and 12,108 puts. The business came against the background of the rise in the FT-SE 100 Index, but again did little to qualify the gain. Turnover in the index consisted of 2,118 calls and 3,216 puts. It was noticeable for a building up of open interest in the October 1900 calls, of almost 1,080 contracts, to 3,500, the market makers' offered price in this series ending at 6p. Hanson, with 2,559 calls and 1,773 puts was the most actively traded individual stock.

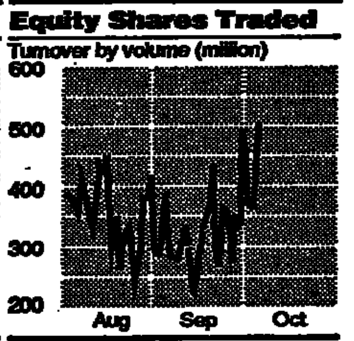
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 37

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (77).
BRITISH FUNDS (18) AMERICANS (4) Colgate-Palmolive, Dun & Bradstreet, Quaker Oats, Utd. Technologies, CANADIANS (2) Royal Bk. Can., Toronto-Dom. Bk., BANKS (2) Copenhagen Handels, [illegible], BREWERS (1) Highland Distil., BUILDINGS (1) Erith, CHEMICALS (1) Hoechst, ELECTRICALS (8) DDT Group, Kewill Systems, National Tele., Renishaw, Thorpe (F.W.), ENGINEERING (4) Aurora, Fife Indmar, Tyzack (W. A), Verson Intl, HOTELS (1) Ladbroke, INDUSTRIALS (11) AGA, Assoc. Energy, BTR, Boot (Henry), Glaxo, Halma, Handley-Walker Grp., Hanson, Photo-Me, Wassall, Whatman Reeve, INSURANCE (2) Alex & Alexr, Lloyd Thompson, LEISURE (4) Anglia TV, GWR Group, P'dilly Radio, Radio City, MOTORS (1) Dowty, NEWSPAPERS (1) Adscene, PAPERS (1) [illegible], PROPERTY [illegible], SHIPPING [illegible], TRUSTS [illegible], OVERSEAS TRADERS (1) Finlay (J.), PLANTATIONS (1) Williamson.

NEW LOWS (18).
AMERICANS (1) Allegheny & W., BUILDINGS (1) McAlpine (Alfred), FOODS (1) Acatos & Hutcheson, INDUSTRIALS (3) Hewitt (J.), Laidlaw Thomson, Page (Michael) Grp., SI Grp., Shiloh, TEXTILES (1) Lowe (Robert H.), TRUSTS (1) Thai Euro Fd., OILS (4) Aberdeen Pet., Aran Engy., Kingston Oil & Gas, Norsk Hydro, MINES (4) Duke Grp., Cons. Murch, Emnex Int., Glencar Expln.

APPOINTMENTS

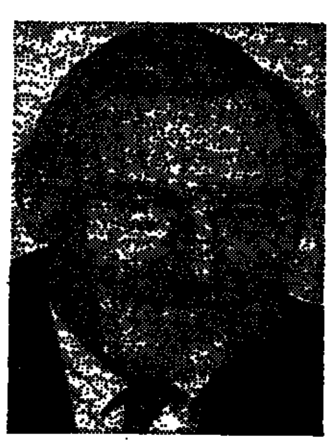
Senior London insurance post

■ Marsh & McLennan Companies Inc is to centre its international business in London under the control of a new company called MARSH & McLENNAN BOWRING. Mr Philip J. Brown Jr, deputy chairman of the new company, has taken up residence in London. He is a managing director of Marsh & McLennan and has had extensive experience in all aspects of direct insurance broking in Europe and North and South America.

■ Mr Duncan Smith has become managing director of BROOKLINK and Mr Roshan Verghese managing director of CULVERLINE. Both companies are part of Egerton Trust's newly-established financial services division.

■ Mr Tim Wacher has been appointed joint managing director of GREYCOAT SHOPPING CENTRES. He was deputy director of property services at London Residuary Body.

■ The BRITISH TEXTILE TECHNOLGY GROUP has made the following board appointments: Mr Harry Leach, chairman and chief executive, Dr Douglas N. Munro, deputy chief executive, Dr Alasdair Maclean, director of technology, Mr R.D. Lockwood, finance director, and Mr A. Lawless, company secretary. Non-executive directors are: Mr A. Benson, Mr D. Brunnschweiler, Mr J.N. Hinchcliffe, Mr B.J.Spencer, Dr P.V. Smith and Dr N.S. Wooding.



Mr Philip J. Brown Jr, deputy chairman of Marsh & McLennan Bowring.

■ Ms Elizabethh Brimelow has been appointed an executive director of CHARTERHOUSE with specific responsibility for regulatory affairs. She was a director of County NatWest.

■ H.P. BULMER has appointed Sir Adam Butler as a non-executive director. Sir Adam was Minister for Industry from 1979-1981 and subsequently Minister of State in Northern Ireland and Minister for Defence Procurement.

■ Mr Peter York has been made divisional managing director FAICLOUGH BUILDING's western division. He has also joined the board of Fairclough Building. Mr York was formerly managing director of Norwest Holst Construction.

■ PERRY GROUP, the diversified motor dealer, has appointed Mr Martin Lane as group finance director. He joins from Lex Service, where he has been financial controller since 1986.

■ KELT ENERGY has made the following board appointments in its UK operating subsidiary, KELT UK: Dr Euan Cameron has become managing director in succession to Mr Rod Makin. Mr Paddy Spink, exploration manager, is made exploration director. Dr Rob Jones, operations manager, is appointed operations director.

■ Mr Brian Everard has been appointed managing director of GEOFFREY OSBORNE CIVIL ENGINEERING, the newly-formed civil engineering company of the Osborne Group.

■ Mr Michael Hammond, managing director, will become executive chairman of CHARLES HAMMOND, the design and fabrics company, on October 20. He succeeds Mr H.E. Michael Barnes who is retiring. Mr Nigel J. Brooks, formerly group operations and marketing director, is made managing director and Mr A. Gary Thompson financial director.

■ Mr Brian Gilbert has become chief executive of the magazine publishing and exhibition interests of the MAXWELL COMMUNICATION CORPORATION. He was chief executive of United Trade Press Holdings.

■ FERRANTI INTERNATIONAL SIGNAL has named Mr Phil Atterton as chairman of its two Scottish-based companies, Ferranti Defence Systems and Ferranti Industrial Electronics. Mr Ron Dunn succeeds Mr Atterton as managing director of Ferranti Defence Systems. Mr Atterton remains a director of Ferranti International and a member of the Ferranti executive committee and he takes on a special remit to assist Sir Derek Alun-Jones,the chairman and managing director of Ferranti International, in relation to Ferranti affairs in Scotland.

■ CABLE AND WIRELESS has appointed Mr John Davenport as chief executive officer of Cable & Wireless North America Inc. from October 10.

■ Lord Armstrong of Ilminster, Mr Jock Green-Armytage and Mr David de Rothschild have been appointed non-executive directors of N.M. ROTHSCHILD & SONS.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Attention turns to cross rates

THE DOLLAR remained locked in a narrow trading range yesterday, turning dealers attention towards the cross rates.

The Australian dollar was reported to be in demand, gaining support from a large buying order for gold, and a rally in the metal taking it back above $400 an ounce.

The Spanish peseta is supported by high interest rates, and also met with demand. There were reports of cross trading involving the Spanish currency, and also buying of the D-Mark against the Swiss franc and Japanese yen.

When the major central banks acted in concert to sell the dollar last Monday week they could hardly have believed they would be so easily successful in establishing currency stability.

The dollar was capped at DM1.89, and has so far shown no sign of threatening that level again. There is also strong technical resistance at around DM1.8550, which the market threatened to test earlier this week, but without any conviction.

The US currency is left in a narrow range. There has been no need for further central bank action because the dollar is underpinned by a strong US economy, and forecasts that today's September employment data will be encouraging.

Non-farm payrolls, are expected to show a rise of about 280,000 to 300,000, compared with 219,000 in August, and unemployment is forecast to fall to 5.5 p.c. or 5.4 p.c. from 5.6 p.c. The dollar is unlikely to surge upwards however, because even if the figures are strong they are will probably not result in higher US interest rates.

Acrimony within Opec - Iran has accused Saudi Arabia of flooding the oil market - appears to be developing into a quota war, which as Iran said yesterday is forcing oil prices down to the benefit of industrial countries.

This is calming earlier fears that rising inflation could turn economic recovery into a world recession. Fading fears about inflation make it much less likely that the Federal Reserve will be sufficiently worried about overheating in the economy to put up interest rates.

The approaching US Presidential election also probably reduces the chances of tighter credit policy by the Fed in the next month or so.

The dollar improved slightly to DM1.8635 from DM1.8625, and to FFr6.3500 from FFr6.3450, but was unchanged at Y133.45 and at SFr1.5830.

According to the Bank of England the dollar's exchange rate index was unchanged at 98.9. Sterling's index was unchanged at 75.8 throughout the day.

The pound lost ¼ cent to $1.6935, and eased to DM3.1550 from DM3.1600. It also fell to Y226.00 from Y226.25; to SFr2.6800 from SFr2.6850; and to FFr10.7525 from FFr10.7600.

September monthly averages against the dollar for the major currencies were: sterling 1.6843; D-Mark 1.8660; yen 134.36; Swiss franc 1.5754; and French franc 6.3484.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4637	+2.37	+0.95	±1.5344
Danish Krone	7.85212	7.97985	+1.63	+0.21	±1.5404
German D-Mark	2.05853	2.07327	+0.72	-0.70	±1.0981
French Franc	6.90403	7.06257	+2.30	+0.88	±1.3674
Dutch Guilder	2.31943	2.33804	+0.80	-0.62	±1.5012
Irish Punt	0.768411	0.773636	+0.68	-0.74	±1.6684
Italian Lira	1483.58	1546.07	+4.21	+3.34	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Korea(Sth)	1212.15-1221.85	715.20-721.00
Kuwait	0.48935-0.48965	0.28880-0.28890
Luxembourg	66.10-66.20	39.00-39.10
Malaysia	4.5435-4.5550	2.6860-2.6890
Mexico	3867.95-3883.80	2284.00-2292.00
N. Zealand	2.7585-2.7635	1.6285-1.6315
Saudi Ar.	6.3585-6.3668	3.7500-3.7510
Singapore	3.4515-3.4520	2.0380-2.0400
S. Af (Cm)	4.2125-4.2235	2.4900-2.4915
S. Af (Fn)	6.7000-6.8445	3.9605-4.0405
Taiwan	48.90-49.15	28.90-29.00
U.A.E.	6.2230-6.2345	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

YEN	4.425	7.496	13.96	1000.	47.58	[illegible]
F Fr.	0.930	1.575	2.934	210.2	10.	2.492
S Fr.	0.373	0.632	1.177	84.33	4.012	1.
H Fl.	0.331	0.476	0.886	63.48	3.021	0.753
Lira	0.425	0.720	1.341	96.05	4.570	1.139
C $	0.487	0.825	1.537	110.1	5.238	1.305
B Fr.	1.512	2.561	4.769	341.6	16.26	4.051

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling impresses

THE PERFORMANCE of the short sterling contract on Liffe was considered encouraging by traders yesterday. It was suggested that the December contract may be set to break out of a trading range of 88.00 to 88.35, after holding above a chart resistance point of 88.06.

December short sterling closed at 88.15 on Wednesday, and moved up to 88.21 yesterday. There is now seen to be strong support at 88.15, which is regarded as a possible bottom line for the contract.

Dealers said the contract is still likely to be sold at around 88.30, until a new trading range is established.

Gilt futures were regarded as expensive, but traders noted the December long gilt easily broke through technical resistance at 95-28, and rose to 96-11 at the close, boosted by several stop loss buying orders at around the 96-00 level.

Recent intervention by the Government broker to buy stock has made traders cautious of going short.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
90	623	659	1	5
92	425	505	3	15
94	239	323	11	33
96	103	200	45	110
98	18	63	160	209
100	4	33	346	343
102	1	18	543	528

Estimated volume total, Calls 5368 Puts 4383
Previous day's open int. Calls 21101 Puts 22591

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
82	651	648	7	40
84	461	509	17	101
86	317	347	37	139
88	155	239	111	231
90	57	146	213	330
92	25	105	345	461
94	10	41	530	633

Estimated volume total, Calls 80 Puts 80
Previous day's open int. Calls 6780 Puts 3238

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
17000	1451	1479	1	29
17500	963	1039	13	89
18000	527	664	77	214
18500	217	381	267	431
19000	62	195	612	743
19500	12	86	1062	1136
20000	1	33	1551	1583

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 1 Puts 21

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6383	0.6384	0.6379	0.6381
Mar	0.6450	0.6450	0.6445	0.6446
Jun	-	-	-	0.6521

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Dec	273.35	273.40	273.15	273.95
Mar	275.90	-	275.80	276.50
Jun	278.45	-	278.45	278.95

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 50,581

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

● Brown Shipley	12	Lloyds Bank	12	Association. * 7 day deposits 5.22%
Business Mtge Tst	12½	Meghraj Bank Ltd	12	Savewise 8.47%. Top Tier-£10,000+
Cl. Bank Nederland	12	McDonnell Douglas Bnk	12.25	instant access 11.06% § Mortgage base
Central Capital	12	Midland Bank	12	rate. § Demand deposit 7%. Mortgage
● Charterhouse Bank	12	Mount Banking Corp.	12	12.375% - 12.75%
Citibank NA	12	Nat Bk. of Kuwait	12	

MONEY MARKETS

Lack of incentive

LACK OF incentive in the London money market has become very well illustrated by the interbank rate structure. Three-month money was unchanged virtually throughout at 12⅛-11⅞ p.c. yesterday, but was offered at 12 p.c. in places in very late trading.

All rates between one-month and five-month were generally at 12⅛-11⅞ p.c., with six-month slightly lower at 12-11¾ p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

This flat yield curve indicates the lack of fresh factors, and the belief that the authorities have no intention of allowing a cut in bank base rates.

On the other hand there only appears to be a risk of higher rates if the bank lending, money supply, and trade figures deteriorate.

Sterling's steady performance, with the exchange rate index unchanged all day, was another factor keeping the market quiet.

The Bank of England forecast a money market shortage of around £500m, and provided total help of £517m.

Before lunch the authorities bought £37m bills, by way of £33m bank bills in band 1 at 11¾ p.c. and £4m bank bills in band 2 at 11⅞ p.c.

In the afternoon another £340m bills were bills were purchased, through £252m bank bills in band 1 at 11¾ p.c., and £88m bank bills in band 2 at 11⅞ p.c. Late assistance of £140m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £296m, with a rise in the note circulation absorbing £50m, and bank balances below target £145m.

In New York the Federal Reserve added $1.5bn of temporary reserves to the banking system, via customer repurchase agreements, when Federal funds were trading at 8¼ p.c.

In Frankfurt the West German Bundesbank left its credit policies unchanged at yesterday's council meeting. The discount rate remains at 3.5 p.c., and the Lombard emergency financing rate at 5 p.c.

Trading on the Frankfurt money market was quiet, with call money unchanged at 4.75 p.c.

In Rome the Bank of Italy held the third reverse securities repurchase tender of this week, when offering L1,000bn, against Treasury certificates.

The weighted average rate on yesterday's tender was 11.79 p.c., compared with 10.49 for the previous pact of L4,000bn on Tuesday.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

COMPANY NOTICES

LEGAL NOTICES

BRADWAY FARMS LIMITED

Registered number: 1430003
Nature of business: Dairy Farmers
Trade classification: 01.
Date of appointment of joint administrative receivers: 21 September 1988
Name of person appointing the joint administrative receivers: 3i plc

David John Stokes and
David James Waterhouse
Joint Administrative Receivers
(Office holder numbers 300 and 458)
Cork Gully, 22a The Ropewalk,
Nottingham NG1 5DT

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28⅝	19½	Texaco $6.25	25⅛	–⅛	♦$3.00	–	6.8
27¼	22⅜	Texas Instr. $1	23¼xd	–⅛	72c	–	1.8
69	43¼	Time Inc. $1	67¼xd	+1⅛	$1.00	–	0.9
21½	15⅞	Transamerica $1	20¼xd	+⅛	$1.84	–	5.2
20⅛	14½	TRINOVA Corp.	16¼xd	+⅛	64c	–	2.3
19	15⅛	USX $1	16		$1.20	–	4.4
24⅞	17⅜	Utd. Technologies	24⅜xd	+⅛	$1.60	–	3.9
34⅝	26¼	US West‖	33⅛	–⅛	$3.52	–	6.1
24⅝	16⅞	Waste Management $1	24⅛	+⅛	48c	–	1.1
16⅞	12⅞	Whirlpool $1	15⅛		$1.10	–	4.2
33¼	18¼	♦Woolworth $3½	32⅞		$1.64	–	2.9

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	189p	–1	–	–	–
32p	11p	♦Abbot Energy Corp.	13½p	–½	–	–	–
14¼	916p	♦Amer. Barrick Res.	10⅛	–⅛	–	–	–
10p	3p	American Lightwave	7½p		–	–	–
47p	9¼p	♦Armeno.	9¼p		–	–	–
76p	37p	Augmitto Expln.	41p		–	–	–
14⅛	10⅝	Bk. Montreal ‖	14	+⅛	$2.00	–	6.9
740p	514p	Bk. Nova Scot. ‖	732p	+8	76c	–	5.0
18⅛	15¼	BCE ‖	18	+⅛	$2.44	–	6.6
716p	591p	♦Bow Valley‖	599p		♦40c	–	3.2
13⅝	10½	♦Brascan‖	12⅝		88c	–	3.4
328p	183p	♦Breakwater Res.	195¼p	–1	10c	–	2.5
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	71xd	
Craig & Rose £1	690	
Finlay Pkg. 5p	86xd	
Holt (Jos) 25p	£11¼xd	+¼

IRISH

Cap. 8¾% Ln. 1991	£98½	
9pc Cap Ln. 1996	£103	+⅛
Fin. 13% 97/02	£121½	
Arnotts	392	
Carroll Inds.	160	
Grafton Grp.	134	
Hall (R. & H.)	158	
Helton Hldgs.	61	+1
Irish Ropes	160	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit. Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met.	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	38
Rank Org Ord.	64
Reed Intal.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	68
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

COMMODITIES AND AGRICULTURE

Stability returns to oil markets after declines

By Steven Butler

A DEGREE of stability returned to oil markets yesterday following the heavy price declines of the past two weeks.

Prices were marginally higher through most of the day in European trading, although they fell back later.

North Sea Brent oil for October delivery finished the day unchanged at $11.25 cents a barrel. At the New York Mercantile Exchange, November futures for West Texas intermediate crude were up 6 cents at $12.66 at midday.

Nymex said it would increase margin requirements by $500 a contract from today. The margin for crude oil, heating oil, and gasoline futures contracts will be $2,000 for clearing members and $2,500 for customers.

There was little news during the day to sway the price strongly.

There were reports, however, of growing concern within the Organisation of Petroleum Exporting Countries over Saudi Arabia's decision to raise oil output to counter the quota violations of other members.

Iran launched a broadside against the Saudi change of policy and accused it of leading efforts to flood the market with oil. Iran's exports briefly touched 3.4m barrels a day at the end of September, compared with its quota of 2.4m b/d.

Ecuador and Venezuela also expressed concern at the Saudi action.

Loss of sheep premium 'inevitable', says Lords

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S LAMB producers must accept as inevitable the phasing out of the variable sheep premium, provided for as a key element in the reforms of the European sheepmeat regime, the House of Lords Select Committee on the European Communities believes.

In its latest report, the Committee says that British sheepmeat producers will have to forego the premium as an inevitable consequence both of the reforms, and of the move towards a single European market in 1992.

However, if the industry is to get full benefit from that market, it must improve the marketing and promotion of British lamb, otherwise it will risk losing out to New Zealand products at home, and Irish lamb in export markets.

Britain is the only EC country to operate the variable sheep premium. It stemmed from the pre-1980 deficiency payment system and is paid weekly on lambs for slaughter to make up the difference between the market price and a guide price which varies according to the season.

The EC Commission has proposed that the variable premium should be phased out over the next three years to be replaced by a general support on ewes in 1992.

Review of the Sheepmeat Regime. House of Lords 18th report session 1987-88. HMSO £10.80

Industry urged to back zinc contract

THE LONDON Metal Exchange's new special high grade zinc contract needs greater industry involvement to increase liquidity and lessen potential problems with price distortion, according to Mr Raj Bagri, chairman of Metdist UK, a full ring trading member of the LME, reports Reuter.

Mr Bagri, addressing the Metal Bulletin Lead/Zinc Conference, said he was encouraged by the number of smelters who had said they would use the new contract as a basis for pricing. But it now needed the miners to follow suit.

"With the support of all users of the market, SHG will work well," he said.

Since the LME introduced the special high grade contract on September 1 several European producers have said they will switch pricing of their sales from the European Producer Price, which is based on so-called good ordinary brand zinc, to the SHG price, while others have said they are considering it.

Traders have noted, however, that miners have been more reluctant to commit themselves, although MIM Holdings in Australia said on Wednesday that it enthusiastically embraced the idea of shifting from the European Producer Price.

Smelters currently buy in concentrates according to a formula based on the EPP.

This can lead to distortions when the EPP gets significantly out of line with the market price, as has happened increasingly in recent volatile market conditions.

Low grain stocks spark food security fears

Bridget Bloom on recent challenges to conventional wisdom about production levels

IT HAS become conventional wisdom over the past few years that the world produces too much grain and that the huge cereal surpluses which have been built up in the rich industrialised world are both costly and unnecessary.

Farmers throughout the European Community are even now being wooed by their governments to accept payment for growing nothing on good arable land, while the prices they will receive for their wheat or maize at the farm gate have been steadily declining as part of a concerted EC effort to reduce production.

Yet in the last three weeks, three separate reports, published in Washington, Rome and London, challenge the assumption that the world is producing too much grain.

The most dramatic comes from the Worldwatch Institute, a Washington based research organisation whose director, and author of the report, Mr Lester R. Brown, is a former senior official of the US Department of Agriculture.

Mr Brown outlines the "precipitous decline" in world stocks of grain over the last two years. Reduced from 458m tonnes to 250m tonnes, it is estimated that grain stocks "will have dropped from the highest level ever to the lowest since the years immediately following World War II." This amounts "to 54 days of consumption, less than the 57 days' supply at the end of 1972 when grain prices doubled."

Worldwatch believes that world food security could well be threatened, because the declining stocks must be set against the background of two alarming trends: the marked decline in the growth of food output over the last four years, and the "warming of the planet" which scientists believe could produce more severe droughts such as that which has cut North American grain production this year by between 25 and 40 per cent.

The potential dangers of lower grain stock levels, if not Worldwatch's longer term judgments, are endorsed by reports from the UN Food and Agriculture Organisation in Rome and the International Wheat Council in London.

In the September issue of its Outlook publication, the FAO says that the severe drought this summer in North America will send cereal stocks below the minimum considered necessary to safeguard world food security. The carry-over of stocks from this present season into 1988-89 would be 16 per cent of anticipated consumption for the following year, rather than the 17-18 per cent considered safe. "Global cereal output will need to increase by 220m tonnes or 13 per cent in 1989 to bring stocks back to this minimum safety level," the FAO believes.

The International Wheat Council, in a report on the outlook for grain stocks issued at the end of last month, is more cautious though it accepts that consumption in 1988-89 "can only be met by a substantial draw-down of stocks," which are forecast for wheat at 94m tonnes (27 per cent down on the previous year) and 120m tonnes for coarse grains (45 per cent down).

All three reports agree that the principal reason for the declining grain stocks is the North American drought, though the Soviet harvest is also thought likely to be only 200m tonnes against an estimated 235m tonnes, partly due to drought.

Worldwatch, however, also noting recent droughts in China, charts a marked decline in the growth of grain production, particularly in populous countries like India, China and Mexico, once noted for their "green revolutions," where production has levelled off since the early 1980s.

While populations continue to increase in the developing world, Worldwatch questions whether production there can keep pace. It believes that there, as well as in industrialised nations like the US, the huge increases in past production have partly been accomplished by "over-ploughing and over-pumping," a process that is bound to slow down production in future as land quality declines.

If farmers had unlimited resources of soil and water they could easily meet the challenges before them, Mr Brown says. However, "the reality is that they will begin the next decade with a cropland base that is no longer expanding, a scarcity of fresh water and no major new technologies. . . that will lead to the quantum jumps in world food output such as those associated with the spread of hybrid corn, the nine-fold increase in fertiliser use between 1950 and 1984 and the near-tripling of irrigated area during the same period."

Worldwatch believes that even with the warming of the planet which now seems underway the odds are probably against another severe drought in North America next year. Were it to happen, however, "the world would face a food emergency."

Meanwhile – in case European farmers might interpret these new warnings a potential green light to produce more – a more conventional view of the future was offered by Mr John MacGregor, British Minister of Agriculture, earlier this week. "Is the world cereal surplus a thing of the past and should we now be looking to expand production to meet rising demand?" he asked in a speech to the UK Agricultural Supply Trade Association.

Noting that even with higher world prices as a result of the US drought, the export of wheat was still costing the EC £40 a tonne in subsidies, Mr MacGregor said he thought "such a reaction would be premature."

He added that events in the 1970s – when cereal shortages had driven prices and then production up – had shown that it "does not take long for a perceived shortage to turn into an actual surplus."

Worldwatch Paper 85. The Changing Food Prospect: The Nineties and Beyond. Worldwatch Institute, 1776 Massachusetts Avenue, Washington DC. Price $4.

Feed shortage may hinder Chinese livestock expansion plans

By Nancy Dunne in Washington

CHINA'S AMBITIOUS plan to increase supplies of meat, poultry and dairy products may be hindered by its insufficient and expensive feed grain supplies, according to the US Department of Agriculture.

With American farm organisations and the USDA increasing their contacts with Chinese agricultural planners, the department is keeping a close watch on developments. China's 7th five year plan (1986-1990) calls for increasing the production of meat to 22.75m tonnes, up 18 per cent from 1985.

Poultry production is planned to increase by nearly 24 per cent by 1992 from the 1987 level of 2.1m tonnes.

However, USDA analysts believe that feed grain imports will be limited in the next two to three years by high input prices and by China's inability to earn sufficient foreign exchange to pay for them.

Large centralised state pig and poultry operations with adjoining feed mills are not expected to have as much trouble as the small mills which need compound feeds.

China's goal for compound feed production in 1990 is 50m tonnes, but the USDA says many local experts feel that objective is too high. Given the current outlook for grain and soyabean prices, analysts say a more realistic figure for 1990 might be in the range of 35m to 40m tonnes.

Canadian coal exports rose 32% in first half

By David Owen in Toronto

CANADIAN COAL exports rose strongly in the first six months of this year because of strong demand from Pacific rim countries and various problems in other coal-producing countries.

In all, first half exports were up 32 per cent from corresponding year-earlier levels at 16.1m tonnes, according to the Calgary-based Coal Association of Canada. Metallurgical grade material comprised the bulk – 14.1m tonnes – of this figure. However, thermal coal exports increased by 43 per cent to just over 2m tonnes.

A CAC spokesman attributed the improvement to "exceptionally strong" demand and declining stockpiles.

He added that Canadian producers were "virtually sold out" for the remainder of the year.

Canadian producers' share of the key Japanese metallurgical coal market is estimated at just over 25 per cent. The country produces some 8 per cent of internationally-traded metallurgical coal.

Almost 50 per cent of overall first half Canadian output of 34.9m tonnes was exported.

Spray pollination of kiwi fruit puts honey bees out of a job

Dai Hayward describes how the march of science is helping New Zealand growers to boost their crops

THE HARD-WORKING honey bee is being retired from New Zealand's kiwi fruit orchards as science and technology take over the job of pollinating the female kiwi fruit flower. Growers are replacing the bees with hand-held pollination sprays, which are said to do the job better.

Only the female kiwi fruit vine bears fruit – and only after being pollinated with pollen from the male vine. Every season millions of bees are set to work in the orchards to perform this task – which they undertake reluctantly and with varying degrees of success. Reluctantly, because the kiwi fruit flower does not provide nectar – the objective and desire of every foraging bee.

To ensure that plenty of bees are on hand to transfer the pollen from male to female flowers during the three weeks' pollination period, growers hire beehives to be placed strategically throughout their orchard. Last season, each hive cost New Zealand growers NZ$90 (£36) and the average orchard could require up to 15 hives.

However, even the industrious honey bee will not work too long without reward. After three or four days, finding no nectar flowing into the hive, the community sends out scouts to search for sweeter-tasting, more rewarding flowers.

To ensure that the bees do not desert the kiwi fruit orchards *en masse* before most of the female vines are pollinated, orchard owners stagger the placing of the hives during the three-week season. To induce them to stay a little longer before deserting the kiwi fruit, some place pans of sugared water covered by sacking among their vines.

Without adequate pollination of the female vine, its fruit will be underweight and undersized.

There are more than 200m grains in just one gram of pollen. Each grain must have exactly the right conditions if it is to remain effective during the pollination period.

It is the number of viable grains of pollen transferred by the bees from the male to female flower which decides the number of seeds in an individual fruit – and it is the number of seeds which determines the final weight and size.

Both are of vital importance to growers exporting to world markets. Fighting increased competition from other countries which have developed kiwi fruit industries, New Zealand, which was the first to produce the delicious green pulpy fruit, has set extremely high standards of quality for its export fruit.

A New Zealand agricultural scientist, Dr Murray Hopping, spent a long time studying how the efforts of the bees could be improved. He finally developed a method of bypassing them altogether. This involves pollinating each female flower by means of a hand-spray.

The pollen is collected by hand, and transferred to a special solution. The mixture is carried between the rows of vines in a tractor-drawn tank, which moves ahead of the sprayers. They push the nozzle of their hand-pumps into the opening of each female flower. It is claimed that hand-spray pollination improves the quality and quantity of export fruit from an orchard by up to 25 per cent.

Spray-pollination ensures that a larger proportion of the female flowers in the orchard receive an adequate amount of male pollen. It takes about 1 gram of pollen to pollinate a mature vine successfully.

Growers who have adopted the hand-pollination system claim impressive results which justify the NZ$20,000 outlay at present needed to buy the patented pollen aid package.

One prominent grower says hand-pollination boosted his export crop by more than 12,000 trays to 68,000 trays last season.

Spray pollination enthusiasts expect that eventually supplies of pollen will be available commercially, thus freeing individual growers from the time-consuming chore of collecting it by hand.

The government-run agricultural research centre has already planted an all-male orchard, which will provide about a tonne of pollen for hand-spray pollination next season.

So the industrious honey bee, which has worked hard for little real reward in the development of New Zealand's kiwi fruit industry, may soon be allowed to seek sweeter pastures.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD bullion closed at $403.25 an ounce yesterday – the first move above the $400 level for two weeks – as crude oil prices stabilised and some buying interest appeared. London prices traded all day above $400 after an overnight New York rally and gains in the Far East. Traders said the market had been oversold recently, encouraging short-covering and attracting additional buying. Platinum and silver prices also rose. On the LME copper prices advanced. Bullish sentiment has been mainly inspired by the gains on Comex, where fund buying is breaching overhead chart resistance as warehouse stocks decline, traders said. Recent production problems at Ok Tedi in Papua New Guinea, reduced output from Zambia and the threat of a Peruvian miners' strike next week also helped the advance.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$9.05-9.20z	-.055
Brent Blend	$11.22-11.26	
W.T.I. (1 pm est)	$12.65-2.68z	+0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$158-159	-6
Gas Oil	$103-104	+1
Heavy Fuel Oil	$51-53	+3
Naphtha	$116-118	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)◆	$403.25	+7.25
Silver (per troy oz)◆	632c	+13
Platinum (per troy oz)	$513.75	+6.50
Palladium (per troy oz)	$120.25	+1.25
Aluminium (free market)	$2285	+40
Copper (US Producer)	124¼-128c	+1
Lead (US Producer)	39c	
Nickel (free market)	590c	+30
Tin (European free market)	£4265	-10
Tin (Kuala Lumpur market)	19.3r	
Tin (New York)	[illegible]	
Zinc (Euro. Prod. Price)	$1260.0	
Zinc (US Prime Western)	59¾c	
Cattle (live weight)†	109.60p	+0.45
Sheep (dead weight)†	149.14p	+6.82
Pigs (live weight)†	74.89p	+3.88
London daily sugar (raw)	$221.8x	+4.2
London daily sugar (white)	$260.0x	+7.5
Tate and Lyle export price	£257.5	+2.5
Barley (English feed)	£109.5	+0.5
Maize (US No. 3 yellow)	£127v	
Wheat (US Dark Northern)	£124.25z	+0.5
Rubber (spot)♥	59.00p	+0.50
Rubber (Nov)♥	66.25p	+0.50
Rubber (Dec)♥	66.75p	+0.50
Rubber (KL RSS No 1 Nov)	292.5m	+1.0
Coconut oil (Philippines)§	$580x	
Palm Oil (Malaysian)§	$427.5x	
Copra (Philippines)§	$365	
Soyabeans (US)	$202.5	-1.5
Cotton "A" index	58.95c	-0.60
Wooltops (64s Super)	580p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep. z-Sep/Oct. x-Oct/Nov. w-Nov/Dec. v-Oct/Dec. 3-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ◆ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	
Mar	[illegible]	[illegible]	[illegible]

Turnover: 6846 (5708) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Oct 6: [illegible]. 10 day average for Oct 6: [illegible].

COFFEE £/tonne

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	
Nov	[illegible]	[illegible]	

Turnover: 3765 (3703) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Oct 5: Comp. daily [illegible]. 15 day average [illegible].

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	
Oct	[illegible]	[illegible]	[illegible]
White	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	
Mar	[illegible]	[illegible]	[illegible]

Turnover: Raw 2659 (3476) lots of 50 tonnes. White [illegible]. Paris- White (FFr per tonne): Dec 1650, Mar 1655, May 1658, Aug 1670, Oct 1670, Dec 1670.

GAS OIL $/tonne

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]

Turnover 11602 (10549) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	
Barley	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Turnover: Wheat [illegible], Barley [illegible]. Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 5,825 tonne
Cash	[illegible]	2230-40		2280-90		
3 months	[illegible]	2175-8	2237/2210	2225-6	2235-40	14,200 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover [illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
21st Dec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper, Grade A (£ per tonne)						Ring turnover [illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]		[illegible]		[illegible]
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]		[illegible]		[illegible]
Lead (£ per tonne)						Ring turnover [illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nickel ($ per tonne)						Ring turnover [illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zinc ($ per tonne)						Ring turnover [illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POTATOES £/tonne

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	

Turnover [illegible] lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	
Jun	[illegible]	[illegible]	

Turnover [illegible] lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	

Turnover [illegible]

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	[illegible]	[illegible]
Opening	[illegible]	[illegible]
Morning fix	[illegible]	[illegible]
Afternoon fix	[illegible]	[illegible]
Day's high	[illegible]	
Day's low	[illegible]	
Coins	$ price	£ equivalent
Maple leaf	[illegible]	[illegible]
Britannia	[illegible]	[illegible]
US Eagle	[illegible]	[illegible]
Angel	[illegible]	[illegible]
Krugerrand	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]
Silver fix	p/fine oz	US cts equiv
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

FRUIT AND VEGETABLES: [illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper (Grade A)	Calls		Puts	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US MARKETS

THE METAL markets showed no significant features except that trading followed the crude market, reports Drexel Burnham Lambert. Prices were mixed but there were no major changes to report. [illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	
Oct	[illegible]	[illegible]	
Dec	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	
Dec	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	12.76	12.60	12.90	12.65
Dec	12.63	12.46	12.68	12.50
Jan	12.50	12.49	12.66	12.32
Feb	12.63	12.57	12.75	12.43
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)				
	Oct 6	Oct 4	mnth ago	yr ago
	[illegible]	[illegible]	[illegible]	[illegible]
DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	812/6	823/0	815/0	803/0
Jan	822/6	832/4	824/4	813/4
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm prices October 6

Quotations in cents unless marked $.

[illegible]

f–No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Oct 5	Oct 4	Oct 3	Sep 30	1988 High	1988 Low	Since compilation High	Since compilation Low
‡Industrials	2106.51	2102.06	2105.26	2112.91	2158.61 (3/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.73	89.59	89.51	89.16	[illegible]	[illegible]	[illegible]	[illegible]
Transport	918.01	912.34	911.14	906.96	[illegible]	[illegible]	1101.16	12.32
Utilities	183.20	181.84	181.72	181.54	[illegible]	[illegible]	227.83	10.50

♦Day's High 2119.84 (2119.49) Low 2082.33 (2090.68)

STANDARD AND POOR'S

	Oct 5	Oct 4	Oct 3	Sep 30	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	271.86	270.62	271.38	271.91	[illegible]	[illegible]	336.77	4.40
Industrials	311.90	310.42	311.14	311.67	[illegible]	[illegible]	[illegible]	3.62
Financials	25.88	25.86	25.95	25.98	[illegible]	[illegible]	[illegible]	8.64
NYSE Composite	153.62	152.93	153.23	153.57	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	299.97	299.62	300.00	301.63	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	384.52	384.20	384.48	387.71	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Sep 30	Sep 23	Sep 16	year ago (approx.)
Dow Industrial Div. Yield	3.66	3.70	3.68	2.61

	Sep 28	Sep 21	Sep 14	year ago (approx.)
S & P Industrial div. yield	3.21	3.19	3.19	2.40
S & P P/E ratio	12.98	13.03	13.00	23.20

TRADING ACTIVITY

†Volume (Millions)

	Oct 5	Oct 4	Oct 3
New York	175.130	157.760	130.380
Amex	10.545	7.644	7.732
OTC	131.805	106.221	107.437

NEW YORK	Oct 5	Oct 4	Oct 3
Issues Traded	1,933	1,932	1,919
Rises	852	636	527
Falls	564	769	947
Unchanged	517	527	445
New Highs	37	29	23
New Lows	26	17	20

CANADA

TORONTO	Oct 5	Oct 4	Oct 3	Sep 30	1988 High	1988 Low
Metals & Minerals	2886.2	2856.8	2773.8	2748.9	3226.5 (5/7)	2298.7 (8/2)
Composite	3310.3	3295.9	3284.5	3283.7	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1647.75	1640.62	1635.35	1634.42	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Pillsbury	5,020,000	58	+ 1	Mandlle	2,062,700	2⅞	—
Union Carbide	3,546,300	26¼	+ 1	Digital Eq	1,972,100	88½	− 3¾
Kroger	3,349,600	58⅝	+ 3⅛	Interco	1,877,700	70	—
Bank NY	2,471,800	34⅛	− ¼	Phillips Pet	1,802,100	19	− ¼
Sears Roe	2,351,000	39⅜	+ 2⅞	Pacific Tel	1,780,700	30¼	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Oct. 6	Oct. 5	Oct. 4	Oct. 3	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1516.3	1512.1	1523.6	1542.6	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	691.9	689.1	694.2	708.2	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	205.48	205.90	204.86	204.80	205.90 (27/9)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5331.94	5272.90	5256.20	5269.80	5331.90(6/10)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	233.66	234.84	234.73	233.96	234.84 (5/10)	180.68 (4/1)
FINLAND						
Unitas General (1975)	680.6	682.6	684.4	685.3	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	382.0	379.6	(u)	379.7	382.0(6/10)	251.3 (29/1)
Ind. Tendance(31/12/87)	147.7	148.4	147.6	147.2	148.4 (5/10)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	519.54	517.22	514.33	513.92	519.54 (6/10)	396.40 (29/1)
Commerzbank (1/12/53)	1573.40	1567.80	1559.40	1559.20	1576.40(21/9)	1207.9 (29/1)
DAX (30/12/87)	1261.63	1252.31	1245.58	1242.44	1261.63 (6/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2427.04	2417.42	2415.76	2429.07	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	558.47	556.59	554.57	555.09	558.47 (6/10)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27172.34	27405.49	27501.02	27546.53	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2096.76	2116.76	2129.78	2125.78	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	276.10	274.5	273.0	273.6	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	244.0	239.9	237.1	237.1	244.0 (6/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	392.09	395.36	391.88	392.98	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	997.74	993.18	1005.28	1023.05	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1315.0§	1288.0	1294.0	1276.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1741.0§	1734.0	1739.0	1732.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	282.32	282.00	282.75	283.68	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3161.90	3122.00	3122.04	3112.3	3161.90 (6/10)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	568.50	565.90	565.10	565.90	568.50(6/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	445.2	446.0	445.0	465.2 (15/6)	401.0 (21/1)

**Saturday Oct. 1: Japan Nikkei 27,700.13 and TSE 2,135.62
§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 6 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	63.3m	725	-25	NKK	25.1m	769	-15
Nippon Steel	42.9m	761	-23	Daiwa	16.1m	807	+10
Kawasaki Steel	34.5m	880	-25	Mitsubishi Heavy	15.5m	959	-21
Osaka Gas	29.9m	715	-33	Toshiba	14.9m	1,000	-40
Nippon Mining	28.4m	705	-5	Tokyo Gas	13.9m	1,360	-40

4pm prices October 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	14	AAR e	.36	1.4	18	519	25⅞	25⅝	25⅞	+ ⅛
10⅛	9¼	ACM n				z222	9¾	d 9⅝	9⅝	
12⅛	8¼	ACMIn	1.28a	11.		x297	11⅛	10⅞	11	
12⅛	10⅝	ACMSc	n1.26	12.		330	11	10⅞	10⅞	+ ⅛
10⅛	8⅞	ACMSp	n1.01	11.		192	9¼	9⅛	9⅛	
7¼	2⅝	AMCA				5	3⅞	3⅞	3⅞	
7¼	3¼	AM Intl				2057	5¾	5½	5⅝	+ ⅛
28½	17	AM Int pf	2	8.8		147	22¾	22¼	22¾	+ ½
57⅞	26¼	AMR			10	4495	48¾	48	48	– ⅝
24⅝	19	ANR pf	2.12	8.8		1	24	24	24	
10	5¼	ARX			11	40	7⅛	7	7	
70½	35¼	ASA	3	7.9		160	38⅝	38	38⅛	+ ⅛
22⅛	9½	AVX	.12e	.6	12	325	18⅞	18⅝	18⅞	+ ⅛
61⅝	40	AbtLab	1.20	2.6	15	14610	46¾	45½	45⅝	– 1⅛
27¼	15¾	Abitibi g	1			212	17⅛	16⅞	16⅞	– ¼
16½	8½	AcmeC	.40	4.6		119	8⅞	8¾	8⅞	+ ⅛
9½	6⅝	AcmeE	.32b	4.6	50	11	7	7	7	
20	14⅛	AdaEx	3.05e	20.		80	15⅝	15½	15⅝	
19¾	6⅞	AdamMl	.24	1.5	16	624	16⅝	16½	16½	– ¼
24⅞	7½	AMD				3713	8⅞	8⅝	8⅝	
56¼	29¾	AMD pf	3	9.5		14	32	31½	31⅝	+ ½
9½	4⅝	Adobe				64	7½	7½	7½	
19⅝	16¼	Adob pf	1.84	11.		2	17⅜	17¼	17¼	+ ⅛
12	5⅞	Advest	.12	1.5	15	34	8⅛	8⅛	8⅛	
61¼	39½	AetnLf	2.76	5.4	8	591	51⅛	50⅞	50⅞	– ¼
35⅝	20½	AflPb s	.20	.7		382	29⅞	29¼	29¼	– ⅛
20⅞	13	Ahmans	.88	5.1	11	3926	17⅝	17⅛	17¼	– ⅛
4⅝	1¼	Aileen				93	4⅛	4	4⅛	
53⅞	29	AirPrd	1.20	2.8	11	2174	42⅞	41¼	42⅛	+ ⅞
27½	11⅛	AirbFrt	.60	3.2	25	124	18¾	18⅝	18¾	– ¼
16⅝	6⅞	Airgas			16	31	14⅝	14⅞	14⅝	– ⅜
20	13½	Airlease	2.40	13.	10	12	18⅜	18¼	18⅜	
9¼	7⅝	AlaP	dpf.87	9.2		10	9½	9¼	9½	+ ⅛
97	81½	AlaP pf	9	9.6		z50	93⅞	93⅞	93⅞	
[illegible]										

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 6

[illegible]

AMEX COMPOSITE PRICES

4pm prices October 6

[illegible]

AMERICA

Dow stagnates in wait for figures

Wall Street

EQUITIES continued to hold in a narrow range yesterday, with no incentive for the market to make aggressive plays before today's scheduled release of September US unemployment figures, *writes Janet Bush in New York.*

Daily fluctuations for the last five sessions have been confined to single digits on the Dow Jones Industrial Average as the market has stagnated in the run-up to a crucial series of economic figures to be released next week.

The Dow closed yesterday 1.24 points higher at 2,107.75 in moderately active volume of 154m shares.

The prospect of the first evidence of the state of the economy for September has heightened fears in both the equity and bond markets. Overall, the data are expected to show a return to robust economic growth last month after a somewhat subdued and drought-affected August.

Today's unemployment figures are the first hurdle. Expectations are for a strong set of figures including a rise in the non-farm payroll of near to 300,000 and a 0.1 per cent to 0.2 per cent in the unemployment rate in September.

Next week September figures for industrial production, retail sales and producer prices are expected to reflect a broad expansion in the manufacturing sector, healthy new orders and rising consumer confidence.

Overall, there is a prediction that interest rates will go higher this year as the US Federal Reserve's tightening moves are not regarded as sufficient to slow down the economy and head off higher inflation.

In addition the markets have to get over the hurdle next Thursday of August trade figures that are expected to show a widening in the deficit to perhaps $11.5bn after the surprisingly encouraging $9.5bn shortfall recorded in July.

Given these considerations, as well as a general sense of nervousness about the presidential election next month, there seems little prospect that the equity market will rise much above the present levels.

One of yesterday's largest gainers was MCA, which added $3¼ in morning trading on rumours that it may be bought by Walt Disney. The shares then slipped back to finish $1⅞ higher at $46⅞.

TW Services, one of the most actively traded shares on the New York Stock Exchange, added $1⅞ to $26⅝ after the company announced that it had received a $28-a-share merger proposal from SWT Associates.

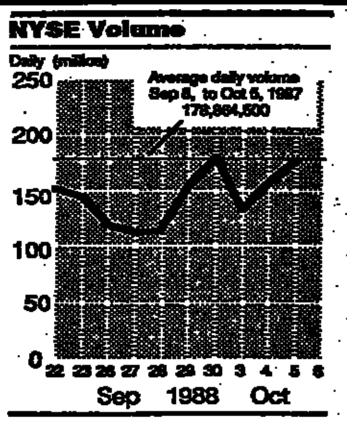
Bally Manufacturing gained $⅞ on rumours that the company had received a proposal for a leveraged buy-out. It then closed unchanged at $24 after news of a definitive merger agreement with US Health.

Damon rose $¾ to $24⅞. The company urged its shareholders not to accept a $24-a-share offer from Nomad Partners. It argued that Nomad's own financial advisers had put its worth at between $29 a share and $35 a share.

Oil stocks gained slightly in response to the modest rally in crude oil prices. Atlantic Richfield was quoted $⅞ higher at $77⅛, Mobil edged $⅛ higher to $42⅝ and Chevron added $⅛ to $43⅞.

Seagate Technology dropped $⅞ to $7⅞ in over-the-counter trading after the company said it would post a significant loss in its fourth quarter.

Digital Communications Associates fell $⅛ to $23⅞ after disappointing earnings for its first quarter ended September 30.



Canada

STEADY gains throughout the day left Toronto sharply higher. Communications issues led the advance, together with real estate stocks and golds.

The composite index rose 32.8 to 3,343.1

Communications issues were boosted by takeover speculation and recommendations,

ASIA PACIFIC

Nikkei decline continues as buy orders peter out

Tokyo

AN ABSENCE of positive news meant the gloom in the equities market failed to lift, and share prices plunged again, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average took a sharp downturn, losing 233.15 points to 27,172.34. The high of the day was at 27,395.79 but the low fell to 27,078.56. The TOPIX index of all listed shares fell 20.45 to 2,096.31.

The number of issues that declined outnumbered those that advanced by 650 to 215 while 159 issues were unchanged. Volume was considerably lower at 636.64m shares compared with 992.98m on Wednesday.

In London, Japanese shares dropped further, with the ISE/Nikkei 50 index 0.29 lower at 1,760.16.

The external environment is healthy enough, given lower oil prices on top of stable currency exchange rates and interest rates. A bad market, however, will react to any bad news, said Mr Sachio Hori, vice president and general manager of the securities sales division of Goldman Sachs (Japan).

The main reason why equities are so weak is the Emperor's illness. "We have a fairly unusual factor at play now," said Mr Stephen Church, head of research at UBS-Phillips & Drew. There were high hopes at the start of the month that the new term would usher in a fresh round of vigorous activity. News about the Emperor, however, has more or less put an end to those hopes, said Mr Church, who sees "little movement from these levels" over the medium term.

In addition, the market faces a long weekend and uncertainty over US unemployment figures which will only come out after Tokyo's closing on Friday.

Yesterday's weakness stemmed largely from a lack of buy orders rather than a wave of selling. There was no news to invite investors to take an active role in the market.

Demand centred mostly on companies that are being sought for speculative reasons. Among them was Nippon Mining, which rose to Y734 in heavy trading during the day before closing down Y5 at Y705. Daisue Construction is another company that has risen recently on speculative buying. Daisue rose to a record high of Y835 in morning trading, but like Nippon, fell back in the afternoon in heavy trading to close up Y10 at Y807.

Nichias, a leading ceramic materials maker, also rose on strong speculative interest. The company has been helped by its favourable earnings performance as well as speculation that material for heat insulation that it has developed will be used in the Japanese version of the space shuttle. Nichias closed at a record high, up Y76 at Y775.

Electronic issues have been suffering losses for the past few days. Analysts say that investors anticipate corporate results in the sector to reach a peak in March of next year and then start to decline. Toshiba lost Y40 to Y1,350 in heavy trading and Sony fell Y80 to Y6,020.

Steels, which continued to lead in volume terms, generally declined. Sumitomo Metal, which had been bought recently, dropped Y25 to Y725. It was the most heavily traded issue at 63.3m shares. Nippon Steel was the second busiest, with 42.9m shares changing hands, losing Y23 to Y761.

Share prices dropped sharply in Osaka as investors remained reluctant to commit themselves. The OSE average fell 328.37 to 25,454.96. Volume was low at 52.56m shares, compared with 110.03m on Wednesday.

Roundup

YET ANOTHER poor day in Tokyo was shrugged off by Asia Pacific markets, which bounced back from the mid-week slump, with only Taiwan unable to stage a recovery.

AUSTRALIA moved ahead strongly after its recent depression, boosted by gains in New York and London. The 0.1 point rise in the rediscount rate to 13.9 per cent had little effect on sentiment — the market had expected the rise and discounted its effects earlier in the week. A bout of late selling, however, pegged early gains and shares ended well off their day's highs. The All Ordinaries index closed 4.2 higher at 1,516.3 on turnover of 77.42m shares worth A$120.74m.

BTR Nylex was the feature among industrials, rising 18 cents to A$8.40 after press commentators and analysts gave their approval to the takeover of New Zealand group Feltex.

Ariadne, the entrepreneurial investment group which suffered badly from last October's stock market crash, gained 1 cent to 19 cents. It reported a loss for the year to June of A$540m — the worst corporate loss in the country's history.

HONG KONG closed firmer but trading was dull and the Hang Seng index finished 9.82 up at 2,427.04 on turnover of HK$296.81m. Sentiment was unaffected by the suspension of trading in Bond International after rumours circulated that parent group Bond Corp might privatise the company.

The most actively traded stock was Hong Kong Bank, adding 5 cents to HK$6.95, followed by Henderson, also 5 cents better, at HK$4.80, and Jardine Matheson, 10 cents higher at HK$13.10.

SINGAPORE bounced back from three days of two-digit falls. In spite of Tokyo's fall, it closed higher as small investors went in search of bargain buys. The Straits Times industrial index was 4.56 points firmer at 997.74 as 15.3m shares changed hands.

Property shares advanced on reports that Singapore's rent control laws will soon be amended. The news lifted Singapore Land 20 cents to S$7.20.

TAIWAN continued its slide, with trading almost stopping in its tracks because of the lack of buyers. The market has now fallen for seven consecutive days. The weighted index closed 157.66 down at 7,423.68 in pitifully low volume of 9.6m, compared with 142m shares on Wednesday.

SOUTH AFRICA

CONCERN over whether the price of bullion would hold above $400 limited price rises yesterday in Johannesburg, but gold issues ended firmer overall. Consolidated Gold Fields, appealing to President Reagan to block a proposed takeover bid by Minorco, fell 2 to R86.

EUROPE

Corporate results help to keep interest alive

MOST of Europe ended higher yesterday, with corporate news and takeover talk helping to sustain interest, *writes Our Markets Staff.*

PARIS was active again on takeover speculation although profit-takers appeared yesterday in response to recent gains. The CAC General index eased 0.3 to 382 and the OMF 50 index edged up 0.22 to 391.74.

Paribas was active on rumours of stakebuilding, rising FFr18 to FFr472. CCF, with improved profits announced on Wednesday, added FFr2 to a new year high of FFr147 with a heavy 284,000 shares traded.

LVMH, the luxury goods group still facing rumours of a split between the main shareholders, jumped FFr113 to FFr3,200 with 33,400 shares changing hands, while drinks group Pernod fell FFr8 to FFr1,185 on the first day of a court case in Dublin which could sort out the bid battle for Irish Distillers between it and Grand Metropolitan of the UK.

FRANKFURT continued its climb, with sentiment helped by figures showing new orders for general industry in September maintaining good growth. Recent bullish news from the construction sector and last week's fall in unemployment have also helped keep the market firm.

The DAX real-time index closed 9.32 points up at 1,261.63 and the FAZ index rose 2.32 points to 519.54. A total of DM2.9bn worth of German shares were traded.

VW gained DM5.50 to DM281.30 on strong demand from the UK in reaction to the comment by the car maker's chairman that this year's profits would rise by more than the rumoured 9 per cent.

Insurer Allianz, however, suffered from the news that this year's dividend will stay unchanged and suggestions that profits might also show no advance on last year. After good figures from other blue chip stocks, one dealer described the news of Allianz's stagnation as "very disappointing," and the shares fell DM17 to DM1,706.

MILAN maintained its upward momentum, although the pace of its advance slowed somewhat after the vote on the abolition of the secret ballot system was once again postponed by Parliament. The Comit index closed up 1.88 points at 558.47.

Rumours that Mr Carlo De Benedetti was the secret stakebuilder in Interbanca were scotched yesterday when Mr Florio Fiorini said he had acquired 51 per cent of Interbanca through his Geneva-based holding company Sasea.

Analysts do not think the holding is an investment stake, and expect Mr Fiorini to sell it on when he finds a buyer at the right price. Trading in Interbanca was suspended earlier this week at L41,000.

Insurer Generali, currently in the process of raising L1,100bn through a rights issue, fell L780 to L42,520, while profit-taking pegged back some of the recent gains in publisher Mondadori, which closed L1,495 lower at L21,505.

ZURICH rose steadily in thin trading as institutional and overseas investors stayed on the sidelines awaiting the latest US economic news. The Crédit Suisse index gained 3.9 points to 484.1, while the industrial index rose 3.4 to 522.5.

Among banks, expectations of good interim results saw Union Bank improve SFr10 to SFr3,275 and Swiss Bank Corp add SFr3 to SFr381. Insurers were mixed with Swiss Re down SFr50 at SFr12,900 on disappointing dividends.

STOCKHOLM reacted positively to the previous day's economic speech from Finance Minister Kjell-Olof Feldt, with the Affärsvärlden index climbing 9, or 1 per cent, to 928.1.

Mr Feldt sprang no surprises, but did hint about measures to curb inflation and made clear that economic growth would be higher than previously forecast.

Foreign demand pushed pharmaceuticals higher, with Astra free B shares rising SKr5 to SKr193 and Pharmacia gaining SKr3 to SKr163.

BRUSSELS rose slightly at the beginning of a new two-week trading account period. The market was generally quiet, although interest was shown in steel and metal construction stocks.

In the steel sector, Luxembourg-based Arbed, which announced a sharp turnround in first half results as the company returned to profit, picked up BFr25 to BFr3,505. Cockerill gained BFr4 to BFr326 on heavy turnover of 87,000 shares.

Holding company GBL moved up BFr85 to BFr3,950; it later announced a 4 per cent rise in first half profits. In the non-ferrous metals sector, Vieille-Montagne, which reported it had returned to profit, rose BFr240 to BFr9,000.

AMSTERDAM was moderately active and most stocks registered gains, with the CBS index closing at its day's high of 100, up 0.2. The market was encouraged by the rise on Wall Street and a firmer dollar.

Strong demand lifted Gist-brocades, the biochemical company, Fl 3.50 to Fl 43.90, amid takeover rumours.

Twentsche Kabel gained Fl 9.30 to Fl 100.50. It reported a 78 per cent rise in first half profits and raised its interim dividend to Fl 1.40 from 60 cents.

MADRID edged higher, with little news to inspire trading, and the general index added 0.32 to 282.32.

The market has risen just 1.05 points this week, but brokers James Capel say it could regain its all-time high of 320 in the short-term. Capel's technical analysis team says that the bounce in the index from the 200-day moving average signals a buying opportunity for Spain. "It signals the first rally of the final down leg of a bear market and has the best chance of exceeding the summer peaks."

Takeover talk stimulates volumes

Turnover picked up in Europe last month, writes Hilary de Boerr

Takeover speculation helped shake European bourses from their summer sleep last month, pushing volumes back to respectable levels, especially in France and Belgium.

Rumours of stakebuilding, renewed bid battles and mystery buying proved a welcome injection; turnover soared by 70 per cent in Belgium, 63 per cent in France and 26 per cent in West Germany, according to provisional figures from County NatWest WoodMac. Only the Netherlands saw reduced volumes, with a 28 per cent drop to Fl 8.6bn (£4.1bn).

The activity also helped to boost share prices in the main markets after a dull summer with little movement. In Germany, the FAZ index climbed by 7.7 per cent last month, while France's CAC index jumped by 8.4 per cent.

Over the past week, most volumes have fallen back somewhat, although Spain is finally seeing renewed buying interest on the back of bid rumours and increased overseas demand for selective stocks.

Belgium's place at the top of the list in terms of improved turnover last month is the result of good corporate earnings, stakebuilding and concomitant speculation. Unidentified buying in Tractebel, the energy and engineering holding company, took the stock and the market to new highs for the year. Turnover soared as speculators jumped on the bandwagon, with 240,000 Tractebel shares traded on one day. Steel stocks and utilities, as well as oil group Petrofina, also drew strong interest.

France was back at the healthy volume levels of June as takeover battles, both real and rumoured, fuelled investor interest. Strong economic fundamentals helped sustain demand, but it was the rumour mill that kept things going.

Drinks company Pernod saw hectic trading before launching its bid for Irish Distillers. Agence Havas was busy amid rumours of a reshuffling of hard core shareholdings, and luxury goods group LVMH continued to see speculative demand on talk of a rift between the two main shareholders. The car components sector was frothy on suggestions of a possible bid for, or from, Valeo — which proved this month to be true when Valeo launched a bid for Epeda. And construction company Bouygues saw rumours of a possible buy-out or a bid.

In Germany, where daily volumes climbed back to levels of around DM4bn on some days — from lows in the summer of under DM2bn — speculation surrounded stocks such as BMW, Deutsche Bank and Allianz, the insurer. The promising outlook for the economy aided sentiment, as did the stable environment for currencies that emerged as a result of the Group of Seven meeting

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Sept '88	Aug '88	July '88	June '88	May '88	April '88	1st qtr '88 mnthly av
Belgium	74.1	43.4	40.2	59.7	33.2	38.9	116.7
France	78.0	48.0	70.4	81.8	60.4	52.0	53.9
Germany	66.6	52.8	60.1	68.0	39.3	33.3	42.5
Italy	11,331.3	11,476.0	12,748.0	13,644.0	9,704.0	12,692.0	14,672.0
Netherlands	8.6	11.9	11.2	11.4	7.3	9.1	9.9
Spain	323.4	326.1	348.4	586.4	418.0	429.7	424.7
Switzerland	16.74	14.0	14.3	16.4	13.1	13.9	17.8

Volumes represent purchases and sales. Swiss data estimated. Italian data adjusted to include off-market trading. Source: County NatWest WoodMac

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 6 1988					WEDNESDAY OCTOBER 5 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	137.80	+1.2	120.64	114.89	4.26	136.18	119.04	114.58	152.31	91.16	170.49
Austria (17)	88.54	−0.2	77.51	85.68	2.48	88.70	77.54	85.82	98.18	83.72	101.81
Belgium (63)	123.04	+1.2	107.71	119.85	4.21	121.59	106.29	118.44	139.89	99.14	125.34
Canada (126)	119.84	+0.4	104.92	105.18	3.15	119.35	104.33	104.35	128.91	107.06	133.74
Denmark (39)	133.25	−0.2	116.65	129.99	2.30	133.50	116.70	130.14	133.69	111.42	120.03
Finland (26)	114.11	+0.6	99.90	105.16	1.68	113.43	99.16	104.81	139.53	106.78	—
France (130)	100.05	+0.0	87.59	99.66	3.26	100.08	87.48	99.60	100.08	72.77	109.10
West Germany (102)	79.94	+0.2	69.99	77.45	2.39	79.75	69.71	77.22	80.79	67.78	101.75
Hong Kong (46)	99.39	+0.5	87.01	99.70	5.02	98.86	86.42	99.17	111.86	84.90	157.23
Ireland (18)	134.96	+1.7	118.15	132.15	3.81	132.76	116.05	130.04	144.25	104.60	157.85
Italy (100)	76.28	+0.3	66.78	79.17	2.54	76.08	66.51	78.91	81.74	62.99	94.78
Japan (456)	157.48	−1.1	137.87	132.84	0.56	159.23	139.20	134.32	177.27	133.61	148.47
Malaysia (36)	131.76	+0.9	115.35	136.38	3.09	130.64	114.20	135.04	154.17	107.83	179.59
Mexico (13)	154.88	−1.7	135.59	387.44	1.40	157.61	137.78	394.27	180.07	90.07	406.86
Netherland (38)	102.83	+0.0	90.03	98.63	4.93	102.79	89.86	98.57	110.66	95.23	123.68
New Zealand (26)	70.76	+0.4	61.95	61.25	6.42	70.47	61.60	61.32	84.05	64.42	134.95
Norway (25)	114.64	−0.3	100.37	107.37	2.67	115.03	100.56	107.61	132.23	98.55	181.02
Singapore (26)	114.98	+0.8	100.66	108.03	2.53	114.10	99.74	107.22	135.89	97.99	171.09
South Africa (60)	107.61	+1.1	94.21	94.10	4.58	106.41	93.02	93.04	139.07	98.26	186.20
Spain (42)	140.96	−0.3	123.40	131.56	3.04	141.37	123.58	131.73	164.47	130.73	166.54
Sweden (35)	123.27	+1.0	107.91	116.70	2.45	122.00	106.64	115.36	125.50	96.92	136.64
Switzerland (56)	77.78	+0.4	68.09	76.33	2.21	77.51	67.75	76.06	86.75	74.13	111.11
United Kingdom (322)	129.81	+0.5	113.64	113.64	4.61	129.18	112.92	112.92	141.18	120.66	160.56
USA (582)	111.39	+0.1	97.52	111.39	3.60	111.23	97.23	111.23	112.47	99.19	128.52
Europe (1013)	106.61	+0.3	93.33	99.15	3.73	106.24	92.87	98.71	110.82	97.01	130.02
Pacific Basin (681)	154.36	−1.0	135.13	130.74	0.79	155.89	136.27	132.08	172.26	130.81	149.51
Euro-Pacific (1694)	135.29	−0.6	118.44	118.02	1.72	136.06	118.94	118.68	147.53	120.36	141.77
North America (708)	111.83	+0.2	97.90	111.03	3.57	111.65	97.60	110.82	113.29	99.78	128.80
Europe Ex. UK (691)	92.08	+0.2	80.62	90.27	3.00	91.88	80.32	90.02	92.99	80.27	111.04
Pacific Ex. Japan (225)	116.71	+0.9	102.18	104.41	4.47	115.64	101.09	104.02	128.27	87.51	162.40
World Ex. US (1893)	134.51	−0.5	117.75	117.48	1.80	135.21	118.19	118.07	146.49	120.26	142.13
World Ex. UK (2153)	125.08	−0.4	109.50	115.53	2.18	125.55	109.75	115.96	131.77	111.77	134.51
World Ex. So. Af. (2415)	125.59	−0.3	109.95	115.48	2.39	125.98	110.12	115.82	132.39	113.26	136.51
World Ex. Japan (2019)	110.18	+0.3	96.45	106.63	3.67	109.89	96.06	106.33	112.43	100.00	131.28
The World Index (2475)	125.48	−0.3	109.85	115.34	2.40	125.86	110.02	115.67	132.38	113.37	136.83

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).